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INTRODUCTORY SECTION



PAUL E. PATTON
GOVERNOR

OFFICE OF THE SECRETARY
FINANCE AND ADMINISTRATION CABINET
383 CAPITOL ANNEX
FRANKFORT, KENTUCKY 40601
(502) 564-4240
(502) 564-6785 FAX

JOHN P. McCARTY
SECRETARY

December 30, 1996

The Honorable Paul E. Patton
Governor, Commonwealth of Kentucky
The Capitol Building
Frankfort, Kentucky 40601

Dear Governor Patton:

INTRODUCTION

In accordance with Section 48.800 (3) of the Kentucky Revised Statutes (K.R.S.), it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1996. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Accounts, which is responsible for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial position and results of operations as measured by the financial activity of the various funds. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letters, the 1995 Certificate of Achievement, condensed summary data charts, and the government's organizational chart and list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and Notes to Combined Financial Statements, the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Reporting Entity and its Services

This report includes all funds, account groups, and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The component units which are blended into the Commonwealth's primary government are: the State Property and Buildings Commission, Kentucky River Authority, Kentucky Lottery Corporation, Kentucky School Facilities Construction Commission, Turnpike Authority of Kentucky, Board of Agriculture, Kentucky Savings Bond Authority and State Board of Physical Therapy.

The Commonwealth's discretely presented component units are: the Bluegrass State Skills Corporation, Kentucky State Fair Board, Kentucky Center for the Arts Corporation; Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Educational Savings Plan Trust, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, and the eight state supported universities.

An Equal Opportunity Employer M/F/D



The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and public protection services, transportation, public improvements, and general legislative, administrative, and judicial services.

ECONOMIC CONDITION AND OUTLOOK

Real gross domestic product (GDP), an inflation adjusted measure of the total output of goods and services provided in the United States, averaged a growth rate of 2.9% in 1996. On average the U.S. economy has been exceptionally strong during the last four years with an average growth rate of about 3%.

The current recovery has been helped by low interest rates which have resulted in strong gains in housing starts as well as increased investment in producers' durables. Another important factor is consumer confidence. In spite of relatively high mortgage rates in the last four months, housing starts and sales have continued to grow unabated. Much of this consumer confidence stems from a historically low unemployment rate.

Kentucky's economy has consistently outperformed the nation since 1988 in terms of both increases in personal income and growth in employment. In 1996, Kentucky's personal income is estimated to have grown by 5.7% (versus 5.3% nationally), and nonagricultural employment increased by 2.1% (compared to 1.6% nationally). Over the past five years, manufacturing employment has declined by 2.5% nationally, but registered an increase of 10.7% in Kentucky.

Both the U.S. and Kentucky economies are expected to continue the current pattern of growth in 1997.

MAJOR INITIATIVES

Inaugurated in mid-year, you became the first Governor this century who may succeed yourself in office due to the passage of an amendment to the Kentucky constitution. Consequently, depending on the will of the electorate, an opportunity unprecedented in modern times presents itself for continuity in state policy direction, leadership, and management.

Financial Policy - 1996 continued a recent pattern of steady financial advancement for the Commonwealth. A new 1996-98 biennial budget was enacted by the 1996 Regular Session of the General Assembly. That budget, for the first time in recent history, was "structurally balanced." This structurally balanced standard was recommended by your administration at the outset of the 1996 Regular Legislative Session and was defined and operationalized as annual General Fund expenditures remaining within annual General Fund revenues. This more rigorous standard was adopted mindful of the Commonwealth's Constitutional and statutory structure which remains based on a biennial budget and financial plan. The new standard was met at the same time that the Budget Reserve Trust Fund ("rainy day fund") was doubled from \$100 million at the close of 1995 to \$200 million in 1996 General Fund reserves. Another key element was the enactment of a modest level of debt-financed capital improvements for the second straight biennium. Actual new debt authorized was some \$210 million, while at the same time more than \$509 million in outstanding debt was scheduled for retirement during the same period.

With respect to taxes, the Commonwealth continued the phase out of income taxes on private pensions and much of the state's inheritance tax. In addition, new tax reductions were enacted, also to be phased in over a multi-year period, increasing the standard deduction on individual income taxes, reducing the personal property tax for vehicle sales, and phasing out the state's health care provider tax. The Commonwealth also repealed the heavy fuel surtax and made other adjustments in its heavy vehicle tax structure in order to come into compliance with the International Fuel Tax Agreement (IFTA).

On the revenue side of the equation, both the General Fund and Road Fund exceeded the 1996 estimates as revised in the 1996 Regular Session of the General Assembly. Continuing a trend of recent years, Kentucky's economy outperformed the national average in terms of unemployment, manufacturing growth, and a number of other key indicators. The result translated into a state General Fund (and Road Fund) balance at June 30 that outstripped estimates and expectations by \$67 million in General Fund dollars as well as a modest overage in Road Fund dollars. This development, combined with efforts to maximize the lapse of unspent funds and identify additional non-General Fund transfers to supplement the General Fund, resulted in a year ending undesignated fund balance of \$223

million. These balances allowed the Commonwealth to fully fund companion initiatives entirely from cash with contingent appropriations derived from year ending surplus, i.e., "Empower Kentucky" and "contingent capital projects."

Empower Kentucky - A broad-based policy initiative of national significance was authorized to reengineer Kentucky state government. It was designated the "Empower Kentucky" program. This gubernatorial plan was comprised of two major components. First, a cash-funded technology-oriented reengineering effort unprecedented in any other state. In supporting this, the General Assembly conferred upon the Executive Branch broad latitude to adjust authorized spending levels, and to selectively prioritize and implement numerous major information technology-based improvements and reforms. In return, it mandated a \$50 million recurring annual expenditure savings as the product of these efforts.

The Empower effort is headed by a private sector executive on loan to the Commonwealth who directs some 200 state employees who have been trained in the reengineering methodology and who impart their experience and expertise to broad-based recommendations for change. These recommendations are formulated by a dozen or more process teams looking at both immediate and long-term opportunities for greater efficiencies and improved service delivery. The \$103 million in General Fund support provided to the Empower program will be approved by a Redesign Steering Committee comprised of both Executive and Legislative Branch members who will make the final priority decisions on project funding. All of this will be accomplished with the existing personnel and procurement statutory provisions. However, both the procurement and personnel systems are being reexamined with a view to making recommendations for change where warranted. It is anticipated that the Empower program launched in 1996 will need to be institutionalized and continued to maximize its effectiveness.

Capital Projects - The second element of the Empower Kentucky program was a \$103 million cash-funded pool of capital projects ranked in priority order (27 in total). These projects were directed at top gubernatorial and legislative priorities involving Juvenile Justice, Higher Education, Workforce Development, and State Parks revitalization. As the fiscal year ended, both the Empower Kentucky Technology Trust Fund program and its twin counterpart, the Contingent Capital Projects Pool, described herein, were fully funded and authorized. These programs reflect a renewed emphasis on fully financed cash-supported initiatives in contrast to previous strategies involving long-term borrowing.

Task Force on Postsecondary Education - Senate Concurrent Resolution 93, passed by the 1996 General Assembly, provided for the establishment of a joint legislative/executive Task Force on Postsecondary Education. The purpose of the Task Force is "... to develop recommendations and an implementation plan for a system of postsecondary education in Kentucky that promotes quality instruction designed to provide students with the knowledge and skills to be competitive in a global economy."

As fiscal year 1996 came to a close, the Task Force held its first meeting. The challenge is to design a comprehensive blueprint for postsecondary education in the 21st century that will enable the Commonwealth to enhance the standard of living for Kentucky's citizens. Moreover, the Task Force will address the total system of postsecondary education including not only the eight four-year public institutions of higher education, but also the vocational/technical school system, the community college system, private colleges, and postsecondary proprietary institutions.

Commission on Higher Education Institutional Efficiency and Cooperation - On April 2, 1996, you signed an Executive Order establishing the Commission on Higher Education Institutional Efficiency and Cooperation. The mission of the Commission is to "recommend new and effective ways to enhance academic delivery and inter-institutional cooperation in the delivery of academic programs, to increase institutional administrative efficiency, and to explore the uses and potential effectiveness of new technologies to enhance academic programs and services."

The Commission adopted a work plan which indicated that a final report to you, the Council on Higher Education, and the Task Force on Postsecondary Education would be published by October 1996.

Workers' Compensation - 1996 marked the beginning of a thoroughgoing review of the Commonwealth's Workers' Compensation system. A select group was impaneled to scrutinize the reforms passed by the 1994 General Assembly and the trends affecting Workers' Compensation payments and the Commonwealth's economy with a view toward effecting major reforms and course corrections. By the close of fiscal year 1996, a policy redirection had been identified that would completely overhaul the Workers' Compensation system. These changes were enacted into law during the December 1996 special legislative session.

Juvenile Justice Reform - 1996 also marked a period of tremendous change and reform for the Commonwealth's juvenile justice system. Against a backdrop of state and national concern with juvenile crime, the Commonwealth first entered an Agreed Order with the U.S. Department of Justice (Consent Decree) to effect substantial upgrades and policy/procedural changes at the existing juvenile treatment and detention facilities operated by the state. In addition, the 1996 General Assembly enacted House Bill 117 completely transforming the legal, organizational, and policy structure of state government regarding juvenile treatment and detention. Primary responsibility was shifted from the old Cabinet for Human Resources, which was dismantled, to a new Department of Juvenile Justice under the auspices of the Justice Cabinet. Functions previously performed by the Department of Corrections were also consolidated with the new Juvenile Justice Department and funds, personnel, and facilities were merged as well. In addition, the Commonwealth funded three secure juvenile detention facilities for various regions of the state placing the Commonwealth - for the first time - in the field as a provider of secure (pre-adjudicatory) juvenile detention. Historically, this has been solely a local (county) responsibility. A further realigning of state/local responsibilities and pre/post adjudicatory responsibilities was envisioned in the reform legislation as enacted and was being studied for attention at a later Special Session of the General Assembly.

Sustaining Policy Initiatives - 1996 also saw the continuation and re-enforcement of critical policy initiatives previously enacted in the areas of: Education Reform, Health Care Reform, and Parks/Tourism Revitalization. The seminal Education Reform Act of 1990 (KERA) continued broad-based support and received additional funding from the 1996 General Assembly. This marked the third gubernatorial administration and fourth consecutive regular session of the General Assembly backing this landmark, national legislation. Viewed as a long-term project, the elementary and secondary education budget continued to be the highest priority of the Commonwealth. Its renewal and continued support, after gubernatorial transition, re-enforced the prospects for long-term success triggered by the Kentucky Supreme Court decision in 1989.

The Health Care Reform initiatives of the 1994 legislative session were recast in 1996 with the abolishment of the Health Care Policy Board and with modifications to the enabling legislation. (As noted earlier, the medical provider tax began to be phased out as part of this review.) Nonetheless, the critical elements of Health Care Reform enacted previously were continued, albeit with modifications.

The Parks Revitalization projects, which are the centerpiece of the Commonwealth's Tourism Development efforts, began to show concrete progress in 1996 upon award of dozens of construction and renovation project bids. After 20 to 40 years without systematic renovation and repair, the statewide effort began to touch nearly every state park in 1996, with several of the major resorts completing major elements of required work. Moreover, in order to help foster private sector development of new tourism attractions, a new Tourism/Parks tax credit was enacted in 1996 paralleling similar credits provided through the Economic Development programs previously enacted.

FINANCIAL INFORMATION

The Accounting System and Budgetary Controls

The Commonwealth's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental funds, expendable trust funds, and agency funds are presented on the modified accrual basis of accounting whereby revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received and the related liabilities are incurred. The proprietary and pension trust funds are presented on the accrual basis of accounting with all revenues and expenses recognized when the transactions occur, regardless of when related cash is received or disbursed.

In developing and operating the Commonwealth's accounting system, emphasis is placed on the adequacy of internal accounting controls. They are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgements by management. All internal control evaluations occur within this framework.

Budgetary control is maintained at the budget unit level described in the Notes to Combined Financial Statements by the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances in the Commonwealth's Special Revenue and Capital Projects Funds at June 30, 1996.

General Fund Condition - Budgetary Basis

General Fund revenue on a budgetary basis for 1996 was \$5.38 billion, an increase of 3.8% over 1995. This amount includes \$5.34 billion in tax and non-tax receipts, and \$47.27 million of Operating Transfers In. Taxes represented 94.5% of all General Fund revenue collected during the period. The amounts and percentages of 1996 revenue derived from specific sources and the changes from 1995 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Revenue and Other Financing Sources - Budgetary Basis

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1995	
			Amount	Percent
Individual Income Tax	\$ 2,074,572	38.5%	\$ 109,729	5.6%
Sales and Gross Receipts Taxes	1,954,920	36.3%	111,354	6.0%
Property Taxes	409,177	7.6%	13,852	3.5%
Corporate Income Tax	284,733	5.3%	(56,179)	(16.5)%
Non-Tax Revenue	249,131	4.6%	19,108	8.3%
Severance Tax	186,124	3.5%	7,007	3.9%
License and Privilege Taxes	93,436	1.7%	(6,718)	(6.7)%
Inheritance and Estate Taxes	81,441	1.5%	1,929	2.4%
Operating Transfers In	47,272	0.9%	13,755	41.0%
Miscellaneous Taxes	3,349	0.1%	(17,277)	(83.8)%
Total General Fund Revenue	\$ 5,384,155	100.0%	\$ 196,560	3.8%

General Fund expenditures on a budgetary basis for 1996 totaled \$5.29 billion, including Operating Transfers Out of \$330.90 million. During 1996, expenditures increased by 4.5% and transfers increased by 26.2% compared to 1995. The general government function includes \$698.56 million of expenditures and \$6.34 million of transfers for the eight State supported universities, which together amount to 13.3% of the General Fund total. The amounts and percentages of 1996 expenditures for the various governmental functions and the changes from 1995 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Expenditures and Other Financing Uses - Budgetary Basis

Function	Amount	Percent of Total	Increase (Decrease) from 1995	
			Amount	Percent
General Government	\$ 1,169,598	22.1%	\$ 84,153	7.8%
Legislative and Judicial	145,137	2.7%	9,995	7.4%
Commerce	108,682	2.1%	8,939	9.0%
Education and Humanities	2,500,868	47.3%	71,465	2.9%
Human Resources	1,019,814	19.3%	94,423	10.2%
Justice	252,723	4.8%	17,102	7.3%
Natural Resources and Environmental Protection	46,257	0.9%	457	1.0%
Public Protection and Regulation	36,183	0.7%	1,779	5.2%
Transportation	4,916	0.1%	(986)	(16.7)%
Non-budgetary Items	1,813	0.0%	(7,077)	(79.6)%
Total General Fund Expenditures	\$ 5,285,991	100.0%	\$ 280,250	5.6%

The General Fund had a 1996 budgetary undesignated fund balance of \$223,427,568. This is a decrease of \$37,580,254 when compared to the 1995 year-end budgetary undesignated fund balance of \$261,007,822.

General Governmental Functions - GAAP Basis

General governmental functions on a GAAP basis are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled \$10.31 billion for 1996, an increase of 3.9% over the amount recognized during 1995. The amounts and percentages of 1996 revenue derived from specific sources and the changes from 1995 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Revenue - GAAP Basis

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1995	
			Amount	Percent
Taxes	\$ 6,155,566	59.7%	\$ 211,639	3.6%
Intergovernmental	3,394,888	32.9%	87,749	2.7%
Charges for Services	273,820	2.7%	51,511	23.2%
Licenses, Fees, and Permits	163,331	1.6%	2,356	1.5%
Interest and Investments	145,544	1.4%	33,420	29.8%
Other Revenues	133,064	1.3%	(442)	(0.3)%
Fines and Forfeits	40,485	0.4%	(235)	(0.6)%
Total Governmental Funds Revenue	\$ 10,306,698	100.0%	\$ 385,998	3.9%

1996 Governmental Funds Revenue was \$386.0 million over 1995. Higher Tax and Intergovernmental receipts account for 77.6% of the increase. Sales and Gross Receipts, Individual Income, Property, Severance, and Inheritance and Estate Taxes grew by a combined \$282.1 million, but were offset by Corporate Income, License and Privilege, and Miscellaneous Taxes, which fell by a combined \$70.5 million. Federal Fund receipts from the United States Government went up \$59.9 million. Receipts from other governments rose a combined \$3.3 million in the General, Transportation, and Other Special Revenue Fund. Capital Projects Fund grant receipts improved by \$30.9 million.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled \$9.47 billion for 1996, an increase of 3.2% compared to 1995. The amounts and percentages of 1996 expenditures for various governmental functions and the changes from 1995 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Expenditures - GAAP Basis

Function	Amount	Percent of Total	Increase (Decrease) from 1995	
			Amount	Percent
General Government	\$ 494,599	5.2%	\$ 76,343	18.3%
Legislative and Judicial	147,563	1.6%	15,142	11.4%
Commerce	42,704	0.5%	274	0.6%
Education and Humanities	2,962,449	31.3%	127,229	4.5%
Human Resources	3,819,907	40.3%	1,477	0.0%
Justice	282,999	3.0%	27,575	10.8%
Natural Resources and Environmental Protection	96,094	1.0%	(14,415)	(13.0)%
Public Protection and Regulation	94,124	1.0%	7,713	8.9%
Transportation	1,061,589	11.2%	81,506	8.3%
Capital Outlay	79,245	0.8%	(2,795)	(3.4)%
Debt Service	392,130	4.1%	(24,626)	(5.9)%
Total Governmental Funds Expenditures	\$ 9,473,403	100.0%	\$ 295,423	3.2%

1996 Governmental Funds Expenditures were \$295.4 million over 1995. Significant growth categories included: \$53.8 million more for highways in the Transportation Fund; an additional \$45.1 million for General Government Judgements and contingent liabilities in the General Fund; a \$30.5 million rise in combined General Fund personal services costs for the Education, Arts and Humanities Cabinet and Workforce Development Cabinet.

Ending fund balances for all governmental fund types increased 12.0%, from \$2.07 billion as restated for 1995, to \$2.32 billion in 1996. Of these totals, unreserved fund balances increased 6.4%, from \$1.19 billion as restated at June 30, 1995, to \$1.27 billion at June 30, 1996.

Debt Administration

The amount of debt service for general bonded debt, the ratio of this amount to total expenditures for general governmental functions, and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. The data for 1996 is:

	Debt Service (thousands)	Ratio to Total General Governmental Expenditures	Debt per Capita
General Bonded Debt	\$392,130	4.1%	\$ 802

No general obligation-bonds are authorized or outstanding at June 30, 1996.

During 1996, Kentucky issued revenue bonds totaling \$365,241,935 for general governmental functions which are supported by governmental fund appropriations. Of this amount, \$179,123,277 defeased existing debt and funded related reserve accounts. The remaining \$186,118,658 funded new projects. All issues sold during 1996 received a rating of "A" or higher by the major rating services. At June 30, 1996, total principal outstanding for revenue bonds paid from governmental fund appropriations was \$3,134,342,403.

Cash Management, Investment and Collateral Policy

The Commonwealth's investments are governed by KRS 42.500 and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, Treasurer, Secretary of the Finance and Administration Cabinet, and gubernatorial appointees of the Community Independent Banker's Association and Kentucky Banker's Association, is charged with oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day to day investment management to the Office of Financial Management and Economic Analysis.

At June 30, 1996, the Commonwealth's operating portfolio was approximately \$2.9 billion cash and securities. The composition of investments was as follows: U.S. treasury securities (35%), securities issued by agencies, corporations and instrumentalities of the United States Government (21%), repurchase agreements collateralized at 102% by the aforementioned (37%), municipal securities rated A or higher by Standard & Poor's or Moody's (0.5%) and money market securities rated A1-P1 or higher by Standard & Poor's or Moody's (6.5%). Money market securities, including Bankers' Acceptances, Commercial Paper and Certificates of Deposit, are limited to 20% of the total portfolio and \$10 million per issuer. The annualized yield for fiscal 1996 was 5.18% and has a modified duration of approximately 1.13 years. The Commonwealth's investments are marked to market daily.

During 1996, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in the above-described securities, as well as securities issued by the Commonwealth of Kentucky. Maturities range up to 7 months for commercial paper, 21 years for Kentucky revenue bonds, and 83 months for all other securities. Investment income for 1996, excluding that from pension trust funds, was \$109,807,323, a 12.5% decrease compared to 1995.

The Commonwealth's investments are categorized into five investment pools: Short-Term, Long-Term, University, Trust and Agency, and U.S. Treasury and Agency Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease of administration and increased accountability and control. The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity to the remaining pools. The Long-Term Pool

represents State Agency investments. The University Pool is dedicated to the investment of state held component unit funds. The Trust and Agency Pool consists of fiduciary fund accounts held for the benefit of others. The U.S. Treasury and Agency Pool invests in U.S. Treasury and Agency obligations. Capital construction bond proceeds are deposited into the U.S. Treasury and Agency Pool until expended for their intended purpose.

The Commonwealth engages in certain derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of derivative transactions, including: over-the-counter treasury options, the securities lending program, and fixed receiver interest rate swaps.

The Commonwealth has used over-the-counter treasury options since the mid-1980's to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than 20% of the total portfolio of treasury and agency securities. Historically, this commitment has been less than 10%.

The Commonwealth has had a securities lending program since the mid-1980's. This program is structured as a paired tri-party repurchase transaction with an approved custodian bank and a primary dealer acting as principal. The state reverses its treasury and agency securities in exchange for 102% of eligible collateral pursuant to KRS 42.500, marked to market daily. Currently, the Commonwealth receives a guaranteed 9.5 basis points of the average market value of securities in the program.

The Commonwealth has also engaged in an asset-based interest rate swap to better match its assets and liabilities and to stabilize the volatility of interest income. These transactions have required the Commonwealth to pay a floating rate in exchange for a fixed rate over a specific period of time. On September 28, 1995, the State Investment Commission adopted resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed \$200 million, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. On July 9, 1996, the Commonwealth entered into two separate swap transactions. The swaps consisted of paying a variable rate based on the Municipal PSA Index and receiving a fixed amount based on a three-year municipal note. The maturity date on the swaps is July 9, 1999. The variable rate is reset weekly and the interest payments are netted and the appropriate party is paid on a monthly basis. The swaps were done in the nominal amount of \$50,000,000 each with Merrill-Lynch and Credit Suisse Financial Products.

Risk Management

The Division of Risk Management (DRM) oversees and coordinates risk management and insurance responsibilities among various state agencies in accordance with KRS 42.0245. For the year ended June 30, 1996, the Division achieved a cash savings of \$118,000 by obtaining lower bids from improved insurance bid specifications and by seeking broader markets. Risk exposures in the amount of \$1.3 million were eliminated for properties that were either uninsured or underinsured. Since 1989, risk exposures of \$55 million have been eliminated for either uninsured or underinsured state property and buildings. The Finance and Administration Cabinet insures property, computers, vehicles, telephones, fidelity bonds, and workers' compensation claims in the amount of \$683.1 million annually for a premium of \$358,402.

Currently, the Commonwealth's three major self-insurance programs include: the Fire and Tornado Insurance Fund for property and casualty coverage; the State Employee Benefit Fund (Kentucky Kare) for health care coverage; and the State Self Insurance Fund for Workers' Compensation benefits. Other financial and catastrophic risks not assumed by these programs are transferred to insurance companies through the purchase of insurance policies by the Finance and Administration Cabinet in accordance with KRS 45A.022 for various state agencies.

The Fire and Tornado Insurance Fund consists of "premiums" charged to state agencies and universities. Current annual "premiums" of \$4.8 million insure \$4.7 billion in property assets for 6,010 facilities statewide. By statute, the Fund must have a reserve of \$5,000,000 at the close of each fiscal year. All losses are reinsured to limit fund liability to \$300,000 for any one loss to each subject of risk. For the year ended June 30, 1996, the Fund paid 192 claims in the amount of \$1,176,743. Earthquake and Flood Coverage for state facilities is available as additional insured perils in the Fund.

The State Employee Benefit Fund is a public entity risk pool which self-insures risks of providing health care benefits for approximately 33,152 subscribers including state employees, employees of local boards of education, employees of local health departments, and retirees under age 65 subscribing to the Kentucky Kare health plans. For the year ended June 30, 1996, the state contributed \$175.00 per insured monthly or \$69.6 million annually for this coverage. As of June 30, 1996, the Commonwealth had paid \$137.0 million in current and prior year claims. Funded reserves are maintained to cover claim liabilities, which at June 30, 1996, were \$19,286,706.

The State Self Insured Workers' Compensation Trust Fund provides workers' compensation coverage for state employees. At June 30, 1996, the State program had assets of \$11.8 million and an unreserved accumulated deficit of \$35.1 million. The Fund assets increased by \$1.6 million and the unreserved accumulated deficit increased \$7.3 million from the previous year. The Fund carries reinsurance coverage for large individual or incident claims of \$5 million with limits of \$20 million. The amount of claims paid for the fiscal year was \$11.3 million. The Transportation Cabinet has a separate self insured workers' compensation fund for its employees. As of June 30, 1996, the loss reserve requirement for the Transportation Cabinet is \$21.5 million. The fund carries reinsurance coverage for claims exceeding \$1 million with limits of \$10 million.

Capital Projects Fund

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Assets Account Group at year end. All uncompleted construction in progress is capitalized in the General Fixed Assets Account Group or appropriate proprietary fund. During 1996, projects costing \$70,287,645 were completed.

Proprietary Funds

Combined operating revenues of the primary government's Enterprise Funds decreased from \$922.2 million for 1995, to \$913.8 million in 1996. Combined operating expenses of these funds increased from \$865.4 million for 1995 to \$1,014.5 million in 1996. The Kentucky Lottery Corporation paces Enterprise Fund operating revenues, with \$542.8 million. Insurance Administration has the largest operating expense, at \$530.0 million. At June 30, 1996, there are no outstanding revenue bonds in the State Parks Fund or other blended component units.

Combined operating revenues and expenses of discretely presented component units accounted for in proprietary fund types were \$218.2 million and \$214.4 million in 1996, compared to \$195.3 million and \$203.9 million in 1995. The Kentucky Housing Corporation leads such activity with operating revenues and expenses of \$76.8 million and \$66.0 million. At June 30, 1996, outstanding revenue bonds for the discretely presented component units totaled \$1.50 billion, of which \$857.8 million and \$307.6 million are accounted for in the Kentucky Housing Corporation and Kentucky Higher Education Student Loan Corporation, respectively.

Combined operating revenues and expenses for the Commonwealth's Internal Service Funds amounted to \$110.0 million and \$117.2 million, as compared to 1995 totals of \$100.0 million and \$100.3 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, property management, and insurance administration.

Proprietary funds receive budgeted operating transfers of General Fund appropriations.

Pension Trust Funds

The Commonwealth administers separate retirement systems for Kentucky employees, State Police officers, public school teachers, judges, legislators and county employees. At June 30, 1996, combined total assets for these plans reached \$15.1 billion. The aggregate operating revenue of these funds was \$2.0 billion, including interest and investment income of \$1.1 billion. Total operating expenses were \$923.2 million, including retirement benefits paid of \$712.1 million.

These retirement systems are as follows: Kentucky Employes Retirement System; State Police Retirement System; County Employes Retirement System; Teachers' Retirement System; and the Judicial Form Retirement System (including both the Judicial Retirement Fund and the Legislators' Retirement Fund).

University and College Funds

The eight state-supported universities are discretely presented component units accounted for in the University and College Funds. University and College Current Funds revenue rose from \$1.01 billion in 1995 to \$1.06 billion in 1996 for an increase of 5.3%. State appropriations transferred from the General Fund to these funds went up 2.8% to \$709.5 million. Current fund expenditures and transfers increased 8.1% during 1996, to \$1.77 billion. At June 30, 1996, outstanding revenue bonds for the state supported universities totaled \$753.6 million, of which \$332.3 million is accounted for by the University of Kentucky and \$155.6 million is accounted for by the University of Louisville.

General Fixed Assets

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, and University and College Funds. At June 30, 1996, the general fixed assets of Kentucky amounted to \$1,406,232,000. This amount represents the valuation of general fixed assets in accordance with GAAP as described in the Notes to the Financial Statements. Depreciation of general fixed assets is not recognized in the Commonwealth's accounting system.

OTHER INFORMATION

Independent Audit

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and the report of the independent auditor appears elsewhere in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the year ended June 30, 1995. This is the ninth consecutive year the Commonwealth has received this prestigious award.

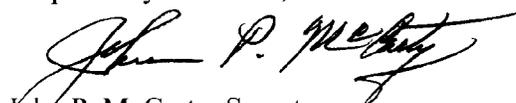
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Divisions of Accounts and Printing, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,


John P. McCarty, Secretary
Finance and Administration Cabinet



FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER

EDGAR C. ROSS
CONTROLLER

PAUL E. PATTON
GOVERNOR

JOHN P. McCARTY
SECRETARY

CAPITOL ANNEX BUILDING
702 CAPITOL AVENUE, ROOM 384
FRANKFORT, KENTUCKY 40601-3454
(502) 564-2210
FAX (502) 564-6597

December 30, 1996

The Honorable John P. McCarty
Secretary, Finance and Administration Cabinet
383 New Capitol Annex
Frankfort, Kentucky

Dear Secretary McCarty:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 1996, is submitted herewith. It contains all funds, account groups, and entities that are controlled by or dependent on the Commonwealth based on the criteria developed by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The basis of accounting upon which the report has been prepared complies with Generally Accepted Accounting Principles (GAAP) for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governmental Units.

The information presented fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

Edgar C. Ross, Controller



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Arthur R. Lynch
President

Jeffrey L. Esser
Executive Director

Chart 1

General Fund - Budgetary Basis

Fiscal Year 1996

(amounts in billions)

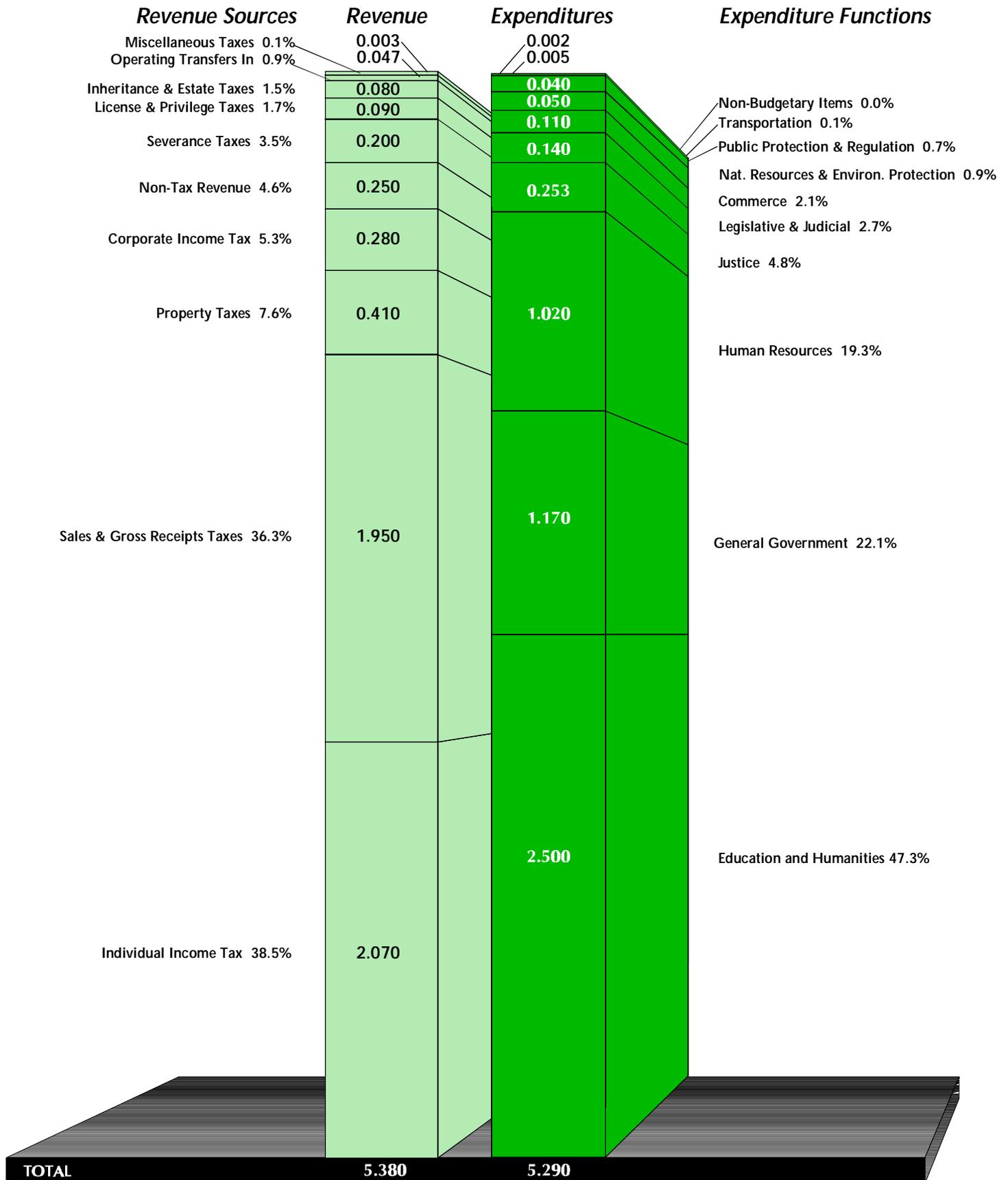
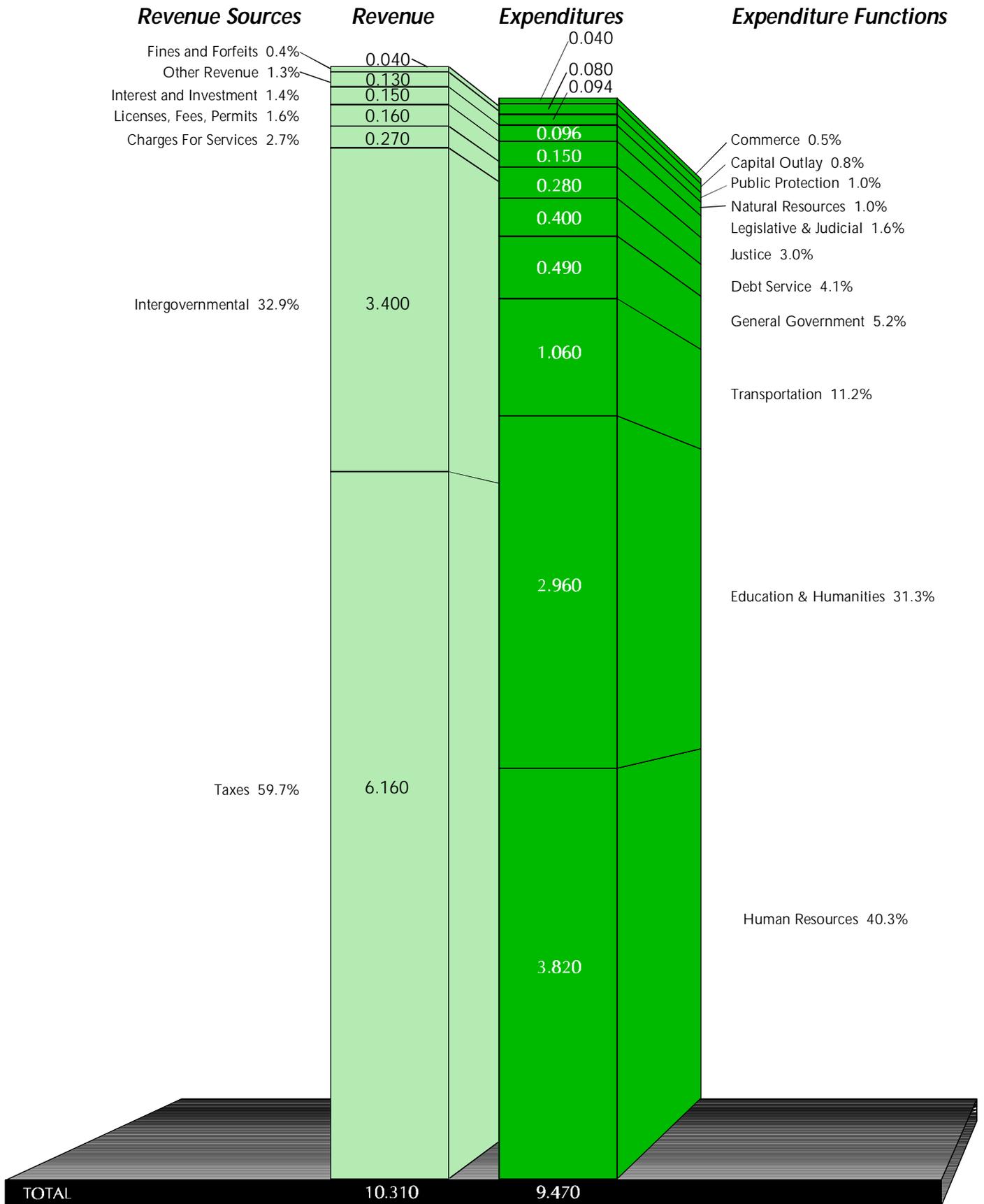


Chart 2

Governmental Funds - GAAP Basis

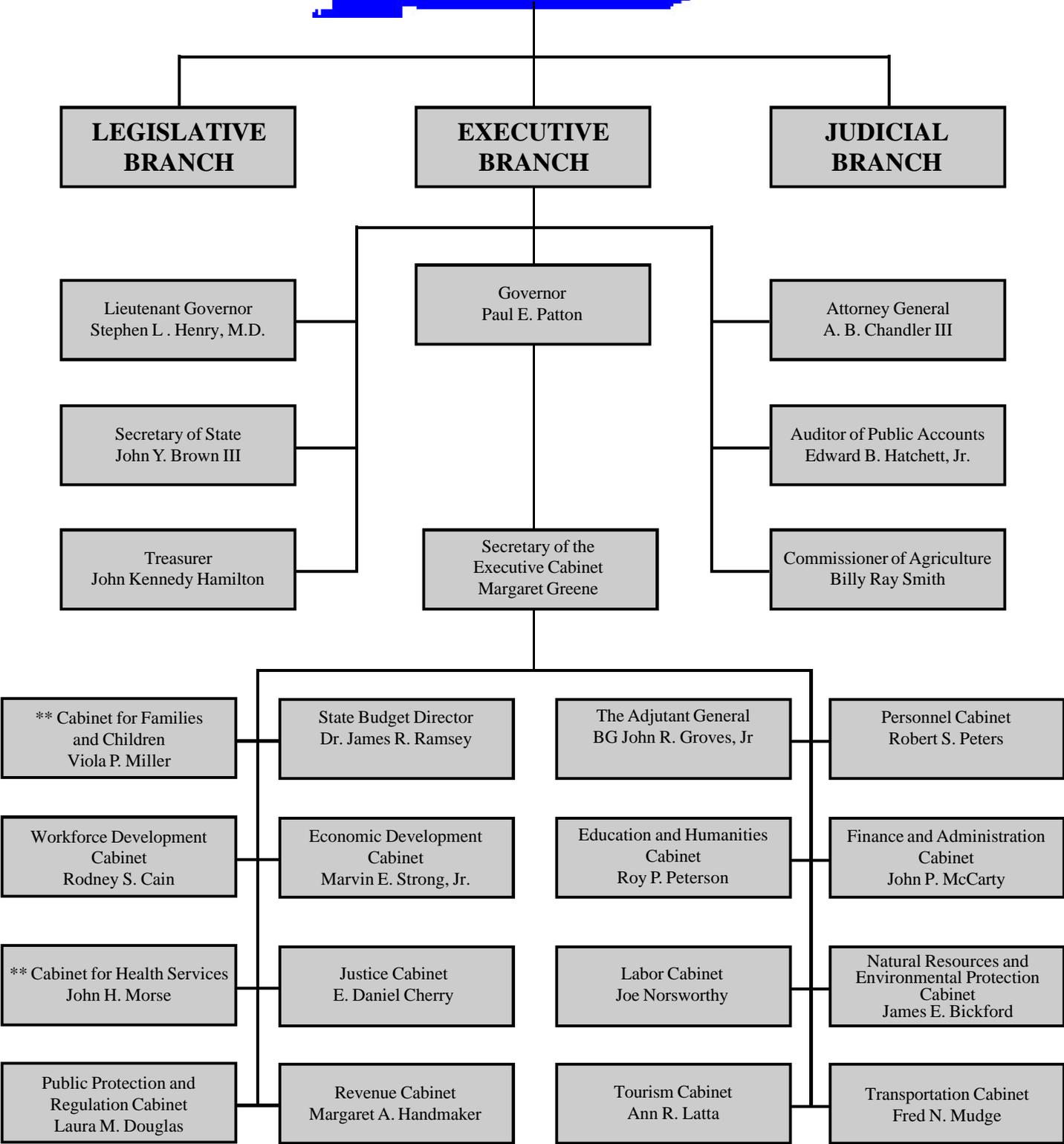
Fiscal Year 1996

(amounts in billions)





**ELECTORATE *
OF KENTUCKY**



* Principal Officials at June 30, 1996

** Reported prior to reorganization as Cabinet for Human Resources

FINANCIAL SECTION



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet

We have audited the accompanying general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 1996. These general-purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We did not audit the financial statements of certain organizational units within the governmental fund types; the Kentucky Lottery Corporation, Workers' Compensation Special Fund, Petroleum Storage Tank Environmental Assurance Program, and Transportation Cabinet's Self-Insured Workers' Compensation Trust Program within the proprietary fund types; the Pension Trust Funds and the Transportation Cabinet's portion of the Agency Funds within the fiduciary fund types; and universities and colleges and certain other discretely presented component units. These organizational units represent total assets of 16, 73, 93, and 99.9 percent; total revenues/additions of 13, 73, 93, and 99.9 percent; and total expenditures/expenses/deductions of 15, 70, 76, and 99.9 percent, respectively, of the related combined totals of the governmental fund types, proprietary fund types, fiduciary fund types, and discretely presented component units. We also did not audit certain fixed assets which represent 19 percent of the General Fixed Assets Account Group. In addition, we did not audit certain long-term obligation accounts which comprise 44 percent of the total liabilities in the General Long-Term Obligations Account Group. These organizational unit financial statements and fixed asset and general long-term obligation accounts were audited by other auditors whose reports thereon were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the organizational units, the fixed assets, and the long-term obligations referenced above, is based solely on the reports of other auditors.



To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
Page 2

We conducted our audit in accordance with generally accepted government auditing standards except that a portion of the university and college discretely presented component units was audited in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referenced above present fairly, in all material respects, the financial position of the Commonwealth of Kentucky as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

As disclosed in Note 17, the Commonwealth is involved in litigation concerning the exemption of certain state employees from overtime provisions of the Fair Labor Standards Act. The ultimate outcome of the litigation cannot be determined at this time. The Attorney General's office has indicated that probable payments could be significant; however, the amounts to be paid are not reasonably estimable. Therefore, except for a liability related to the initial plaintiffs, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements. As disclosed in Note 2, the Commonwealth implemented Governmental Accounting Standards Board (GASB) Statement 24 for the year ended June 30, 1996, which resulted in an increase of \$6,216,000 to the beginning fund balance in the Special Revenue Fund; the corresponding restricted asset was also recorded. As disclosed in Notes 2 and 8, the Kentucky Retirement System and Judicial Form Retirement System early implemented GASB Statement 25, and the Kentucky Retirement System early implemented GASB Statement 26, for the year ended June 30, 1996; this resulted in a net decrease in the Systems' beginning net assets held in trust for pensions and health insurance of \$45,126,000. Also, the Commonwealth early implemented GASB Statement 27 for these retirement systems. The Teachers' Retirement System is still reported in accordance with GASB Statement 5 requirements.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
Page 3

As disclosed in Note 12, there was a significant increase in the present value of the aggregate actuarially determined claims liability for the Kentucky Workers' Compensation Insurance Program during the year ended June 30, 1996. According to the latest actuarial report dated October 2, 1996, this increase arose from projection of additional incurred but not reported claims for the years ended June 30, 1995, and prior. Also as disclosed in Note 12, the actuarially determined claims liability decreased significantly for the Petroleum Storage Tank Environmental Assurance Program during the year ended June 30, 1996. According to the latest actuarial report dated February 12, 1996, this decrease was primarily the result of a decrease in the estimated number of incidents.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules included in this report on pages 80 through 163 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The Introductory and Statistical Sections presented in this report on pages 2 through 16 and 165 through 176 were not audited by us and, accordingly, we do not express an opinion thereon.

In accordance with generally accepted government auditing standards, we will also issue a report on our consideration of the Commonwealth of Kentucky's internal control structure and a report on its compliance with laws and regulations.

Respectfully submitted,



Edward B. Hatchett, Jr.

December 30, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS

**COMMONWEALTH OF KENTUCKY
 COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 1996**

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
CASH AND CASH EQUIVALENTS (NOTE 5)	\$ 280,954	\$ 387,878	\$ 47,829	\$ 32,215
CASH WITH FISCAL AGENTS			31,974	
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT				
RESTRICTED CASH		6,000		
INVESTMENTS, NET OF AMORTIZATION (NOTE 5)	150,667	831,736	265,979	300,673
RECEIVABLES, NET (NOTE 1)	444,218	743,227	101,874	8,822
INTERFUND RECEIVABLES (NOTE 7)	128,491	160,736	345	3,894
INVENTORIES	11,776	30,709		
PREPAID EXPENSES				
DEFERRED CHARGES				
RESTRICTED ASSETS		89,432		
LAND				
IMPROVEMENTS OTHER THAN BUILDINGS				
BUILDINGS				
MACHINERY AND EQUIPMENT				
LESS: ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
OTHER ASSETS				
AMOUNTS AVAILABLE FOR DEBT SERVICE				
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR				
RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS				
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 1,016,106</u>	<u>\$ 2,249,718</u>	<u>\$ 448,001</u>	<u>\$ 345,604</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 309,744	\$ 603,224	\$ 1,536	\$ 8,660
TAX REFUNDS PAYABLE	147,502			
ACCRUED LIABILITIES				
INTERFUND PAYABLES (NOTE 7)	37,377	238,014	26,822	794
CLAIMS LIABILITY				
CLAIMS ADJUSTMENT LIABILITIES				
CAPITAL LEASE OBLIGATIONS (NOTE 10)				
NOTES PAYABLE (NOTE 15)				
BONDS PAYABLE (NOTE 15)				
COMPENSATED ABSENCES (NOTE 1)				
AMOUNTS HELD IN CUSTODY FOR OTHERS				
DEPOSITS AND ADVANCE PAYMENTS				
DEFERRED REVENUE	58,092	193,007	100,530	16,240
OTHER LIABILITIES				
JUDGEMENTS AND CONTINGENCIES				
TOTAL LIABILITIES	<u>552,715</u>	<u>1,034,245</u>	<u>128,888</u>	<u>25,694</u>
EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL (NOTE 1)				
INVESTMENT IN FIXED ASSETS (NOTE 1)				
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT				
UNRESERVED				
FUND BALANCE (NOTE 1)				
RESERVED FOR:				
ENCUMBRANCES		224,912		37,267
STATUTORY OBLIGATIONS	79,601	51,511		
CAPITAL OUTLAY				121,708
REVENUE BOND RETIREMENT		1,000	273,319	
EMPLOYEE RETIREMENT SYSTEM				
RETIREE'S HEALTH INSURANCE				
OTHER SPECIFIC PURPOSES (NOTE 1)	211,776	46,293		
UNRESERVED:				
DESIGNATED FOR HIGHWAY CONSTRUCTION		260,968		
DESIGNATED FOR DEBT SERVICE			45,794	
DESIGNATED FOR UNIVERSITIES AND COLLEGES				
UNDESIGNATED	172,014	630,789		160,935
TOTAL EQUITY AND OTHER CREDITS	<u>463,391</u>	<u>1,215,473</u>	<u>319,113</u>	<u>319,910</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 1,016,106</u>	<u>\$ 2,249,718</u>	<u>\$ 448,001</u>	<u>\$ 345,604</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES (NOTE 1):				
TAXES	\$ 5,104,779	\$ 1,050,787	\$	\$
LICENSES, FEES, AND PERMITS	18,492	144,839		
INTERGOVERNMENTAL	4,691	3,356,680		33,517
CHARGES FOR SERVICES	3,942	269,455	423	
FINES AND FORFEITS	36,335	4,150		
INTEREST AND OTHER INVESTMENT INCOME	34,058	67,742	23,927	19,817
OTHER REVENUES	13,388	117,046	173	2,457
TOTAL REVENUES	<u>5,215,685</u>	<u>5,010,699</u>	<u>24,523</u>	<u>55,791</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	312,968	181,631		
LEGISLATIVE AND JUDICIAL	145,239	2,324		
COMMERCE	15,741	26,963		
EDUCATION AND HUMANITIES	2,430,095	532,354		
HUMAN RESOURCES	1,013,663	2,806,244		
JUSTICE	245,772	37,227		
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	45,267	50,827		
PUBLIC PROTECTION AND REGULATION	36,352	57,772		
TRANSPORTATION	4,766	1,056,823		
CAPITAL OUTLAY				79,245
DEBT SERVICE:				
PRINCIPAL RETIREMENT			217,140	
INTEREST AND FISCAL CHARGES			171,564	
OTHER EXPENDITURES			3,426	
TOTAL EXPENDITURES	<u>4,249,863</u>	<u>4,752,165</u>	<u>392,130</u>	<u>79,245</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>965,822</u>	<u>258,534</u>	<u>(367,607)</u>	<u>(23,454)</u>
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	182,748	594,475	356,670	56,772
OPERATING TRANSFERS OUT	(342,529)	(702,676)	(28,016)	(46,831)
TRANSFERS FROM COMPONENT UNITS	2,997			
TRANSFERS TO COMPONENT UNITS	(749,644)	(62,466)		
PROCEEDS FROM SALE OF BONDS:				
NEW ISSUES			1,973	155,234
REFUNDING ISSUES (NOTE 13)			140,503	
PAYMENTS TO REFUNDED BOND ESCROW AGENTS			(142,038)	
CAPITALIZED LEASES	125	225		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(906,303)</u>	<u>(170,442)</u>	<u>329,092</u>	<u>165,175</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	59,519	88,092	(38,515)	141,721
FUND BALANCE AT JULY 1 (NOTE 2), AS RESTATED	404,681	1,129,530	357,628	178,189
INCREASE (DECREASE) IN INVENTORIES	(809)	(462)		
INCREASE (DECREASE) IN RESERVE FOR DEPOSIT WITH FISCAL AGENT		(1,687)		
FUND BALANCE AT JUNE 30	<u>\$ 463,391</u>	<u>\$ 1,215,473</u>	<u>\$ 319,113</u>	<u>\$ 319,910</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Type		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
Expendable Trust				
\$	231,143	\$ 6,386,709	\$	\$ 6,386,709
	791	164,122		164,122
	17,286	3,412,174		3,412,174
	16	273,836		273,836
		40,485		40,485
	37,984	183,528		183,528
	5,131	138,195		138,195
	<u>292,351</u>	<u>10,599,049</u>		<u>10,599,049</u>
	13,496	508,095		508,095
	42	147,605		147,605
	9	42,713	2,356	45,069
	265,714	3,228,163		3,228,163
	2,160	3,822,067		3,822,067
		282,999		282,999
		96,094		96,094
	2	94,126		94,126
		1,061,589		1,061,589
		79,245		79,245
		217,140		217,140
		171,564		171,564
		3,426		3,426
	<u>281,423</u>	<u>9,754,826</u>	<u>2,356</u>	<u>9,757,182</u>
	10,928	844,223	(2,356)	841,867
	52,423	1,243,088		1,243,088
	(14,843)	(1,134,895)		(1,134,895)
		2,997	2,348	5,345
		(812,110)		(812,110)
		157,207		157,207
		140,503		140,503
		(142,038)		(142,038)
		350		350
	<u>37,580</u>	<u>(544,898)</u>	<u>2,348</u>	<u>(542,550)</u>
	48,508	299,325	(8)	299,317
	515,006	2,585,034	(152)	2,584,882
		(1,271)		(1,271)
		(1,687)		(1,687)
\$	<u>563,514</u>	<u>2,881,401</u>	<u>\$ (160)</u>	<u>\$ 2,881,241</u>

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES (NOTE 4)
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 5,043,202	\$ 5,087,752	\$ 44,550	\$ 784,960	\$ 790,182	\$ 5,222
LICENSES, FEES, AND PERMITS	19,055	18,491	(564)	92,098	93,283	1,185
INTERGOVERNMENTAL	4,410	4,692	282			
CHARGES FOR SERVICES	2,235	3,886	1,651	18,915	18,819	(96)
FINES AND FORFEITS	34,645	36,339	1,694	75	33	(42)
INTEREST AND OTHER INVESTMENT INCOME	25,600	30,398	4,798	28,200	33,941	5,741
LOTTERY PROCEEDS	132,000	147,000	15,000			
OTHER REVENUES	8,144	3,022	(5,122)	3,525	1,012	(2,513)
TRANSFERS IN	13,125	17,068	3,943			
TOTAL BUDGETED REVENUES	<u>5,282,416</u>	<u>5,348,648</u>	<u>66,232</u>	<u>927,773</u>	<u>937,270</u>	<u>9,497</u>
NON-BUDGETED:						
TAXES					208,173	
LICENSES, FEES, AND PERMITS					52,397	
INTERGOVERNMENTAL					2,912,513	
CHARGES FOR SERVICES					1,010,542	
FINES AND FORFEITS					2,384	
INTEREST AND OTHER INVESTMENT INCOME					43,897	
EMPLOYER CONTRIBUTIONS					74	
OTHER REVENUES		53	53		179,221	
ESCHEAT REVENUE		5,251	5,251			
TRANSFERS IN (INTERFUND)		30,203	30,203		289,748	
TRANSFERS IN (INTRAFUND)					654,341	
TOTAL NON-BUDGETED REVENUES		<u>35,507</u>	<u>35,507</u>		<u>5,353,290</u>	
TOTAL REVENUES	<u>5,282,416</u>	<u>5,384,155</u>	<u>101,739</u>		<u>6,290,560</u>	
EXPENDITURES:						
GENERAL GOVERNMENT	1,460,061	1,169,598	290,463	1,427,887	1,098,691	329,196
LEGISLATIVE AND JUDICIAL	154,167	145,137	9,030	4,569	2,240	2,329
COMMERCE	126,753	108,682	18,071	29,388	27,836	1,552
EDUCATION AND HUMANITIES	2,532,595	2,500,868	31,727	611,788	536,662	75,126
HUMAN RESOURCES	1,044,774	1,019,814	24,960	2,526,254	2,309,912	216,342
JUSTICE	255,454	252,723	2,731	94,091	81,026	13,065
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	46,985	46,257	728	87,820	55,546	32,274
PUBLIC PROTECTION AND REGULATION	37,804	36,183	1,621	72,476	64,213	8,263
TRANSPORTATION	8,200	4,916	3,284	2,618,065	1,256,837	1,361,228
TOTAL EXPENDITURES	<u>5,666,793</u>	<u>5,284,178</u>	<u>382,615</u>	<u>7,472,338</u>	<u>5,432,963</u>	<u>2,039,375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(384,377)</u>	<u>99,977</u>	<u>484,354</u>		<u>857,597</u>	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY				338	338	
HUMAN RESOURCES				3	3	
MOTOR POOL RECEIPTS					16,974	
TOTAL OTHER FINANCING SOURCES (USES)				<u>341</u>	<u>17,315</u>	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(384,377)</u>	<u>99,977</u>	<u>484,354</u>		<u>874,912</u>	
FUND BALANCE/FUND EQUITY AT JULY 1	404,864	404,864			1,419,228	
NON-BUDGETED ITEMS		(1,813)	(1,813)		(878,584)	
FUND BALANCE/FUND EQUITY AT JUNE 30	<u>\$ 20,487</u>	<u>\$ 503,028</u>	<u>\$ 482,541</u>	<u>\$</u>	<u>\$ 1,415,556</u>	<u>\$</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Enterprise			Internal Service			Expendable Trust		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	160			274				
	181,375			1			17,815	
	803			97,693			14	
	6,512			452			40,241	
	23,058			5,329			231,889	
	40,784			356			2,211	
	250,452			407			1,741	
	503,144			104,512			293,911	
	503,144			104,512			293,911	
7,792	5,016	2,776	90,589	86,632	3,957			
47,060	43,403	3,657						
1,786	1,526	260				333,958	256,504	77,454
			10,898	10,581	317			
15,924	14,515	1,409						
371,019	311,465	59,554	490	423	67			
443,581	375,925	67,656	101,977	97,636	4,341	333,958	256,504	77,454
	127,219			6,876			37,407	
	127,219			6,876			37,407	
	222,165			45,953			448,205	
	(99,544)			(5,731)				
\$	\$ 249,840	\$	\$	\$ 47,098	\$	\$	\$ 485,612	\$

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES (NOTE 4)
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	Component Units		
	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$	\$	\$
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES			
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT INCOME			
LOTTERY PROCEEDS			
OTHER REVENUES			
TRANSFERS IN			
TOTAL BUDGETED REVENUES			
NON-BUDGETED:			
TAXES			
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES		23,139	
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT			
EMPLOYER CONTRIBUTIONS			
OTHER REVENUES		200	
ESCHEAT REVENUE			
TRANSFERS IN (INTERFUND)		14	
TRANSFERS IN (INTRAFUND)		642	
TOTAL NON-BUDGETED REVENUES		23,995	
TOTAL REVENUES		23,995	
EXPENDITURES:			
GENERAL GOVERNMENT			
LEGISLATIVE AND JUDICIAL			
COMMERCE	21,545	21,544	1
EDUCATION AND HUMANITIES			
HUMAN RESOURCES			
JUSTICE			
NATURAL RESOURCES AND			
ENVIRONMENTAL PROTECTION			
PUBLIC PROTECTION AND			
REGULATION			
TRANSPORTATION			
TOTAL EXPENDITURES	21,545	21,544	1
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES		2,451	
OTHER FINANCING SOURCES (USES):			
TURNPIKE AUTHORITY			
HUMAN RESOURCES			
MOTOR POOL RECEIPTS			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER			
FINANCING USES		2,451	
FUND BALANCES/FUND EQUITY AT JULY 1		90,832	
NON-BUDGETED ITEMS		(2,345)	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 90,938	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Totals Primary Government	Component Units	Totals Reporting Entity
	Enterprise	Internal Service	Pension Trust	(Memorandum Only)		(Memorandum Only)
OPERATING REVENUES:						
CHARGES FOR SERVICES	\$ 329,654	\$ 109,084	\$	\$ 438,738	\$ 41,871	\$ 480,609
CONTRIBUTIONS			509,002	509,002		509,002
INTEREST AND OTHER INVESTMENT INCOME	38,522		775,807	814,329	128,590	942,919
LOTTERY PROCEEDS	542,845			542,845		542,845
AMORTIZATION OF PREMIUM ON LEASES					96	96
OTHER REVENUES	2,763	941		3,704	47,650	51,354
TOTAL OPERATING REVENUES	913,784	110,025	1,284,809	2,308,618	218,207	2,526,825
OPERATING EXPENSES:						
PERSONAL SERVICES	73,479	36,487		109,966	39,308	149,274
UTILITIES, RENTALS, AND OTHER SERVICES	14,415	20,764		35,179	16,081	51,260
COMMODITIES AND SUPPLIES	34,858	24,775		59,633	2,474	62,107
ADMINISTRATIVE EXPENSES			6,589	6,589		6,589
GRANTS AND SUBSIDIES	100	668		768	33,067	33,835
DEPRECIATION AND AMORTIZATION	10,132	5,746	61,607	77,485	13,012	90,497
BENEFITS			388,760	388,760		388,760
REFUND OF CONTRIBUTIONS			8,418	8,418		8,418
INTEREST					84,828	84,828
TRAVEL	1,347	208		1,555	629	2,184
REINSURANCE EXPENSE		888		888		888
CLAIMS EXPENSE	498,330	27,711		526,041	277	526,318
CLAIMS ADJUSTMENT EXPENSE	5,823			5,823		5,823
PRIZE EXPENSE	313,434			313,434		313,434
OTHER EXPENSES	62,625		220	62,845	24,739	87,584
TOTAL OPERATING EXPENSES	1,014,543	117,247	465,594	1,597,384	214,415	1,811,799
OPERATING INCOME (LOSS)	(100,759)	(7,222)	819,215	711,234	3,792	715,026
NONOPERATING REVENUE (EXPENSES):						
INTERGOVERNMENTAL REVENUE					1,359	1,359
GRANTS AND DONATIONS					4,693	4,693
MEMBERSHIP REVENUE					299	299
KENTUCKY CENTER FOR THE ARTS ENDOWMENT					549	549
GAIN (LOSS) ON SALE OF FIXED ASSETS	(12)	(174)		(186)	(19)	(205)
INTEREST AND OTHER INVESTMENT INCOME	5,736	4		5,740	670	6,410
CHANGE IN ACTUARIAL ESTIMATE	60,103			60,103		60,103
INTEREST EXPENSE	(74)	(331)		(405)	(3,378)	(3,783)
OTHER REVENUES (EXPENSES)	6			6	(2,467)	(2,461)
TOTAL NONOPERATING REVENUES (EXPENSES)	65,759	(501)		65,258	1,706	66,964
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS	(35,000)	(7,723)	819,215	776,492	5,498	781,990
OPERATING TRANSFERS IN	44,159	3,365		47,524		47,524
TRANSFERS FROM PRIMARY GOVERNMENT					56,287	56,287
TRANSFERS FROM COMPONENT UNITS					1,500	1,500
OPERATING TRANSFERS OUT	(152,096)	(3,621)		(155,717)		(155,717)
TRANSFERS TO PRIMARY GOVERNMENT					(881)	(881)
TRANSFERS TO COMPONENT UNITS					(1,500)	(1,500)
NET INCOME (LOSS)	(142,937)	(7,979)	819,215	668,299	60,904	729,203
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	1,647	70		1,717	4,920	6,637
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCES	(141,290)	(7,909)	819,215	670,016	65,824	735,840
RETAINED EARNINGS/FUND BALANCES AT JULY 1 (NOTE 2), AS RESTATED	(877,680)	(23,132)	6,235,679	5,334,867	499,851	5,834,718
RETAINED EARNINGS/FUND BALANCES AT JUNE 30	\$ (1,018,970)	\$ (31,041)	\$ 7,054,894	\$ 6,004,883	\$ 565,675	\$ 6,570,558

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN PLAN ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	<u>Pension Benefits</u>	<u>Health Insurance</u>	<u>Totals (Memorandum Only)</u>
Additions:			
Contributions:			
Employer	\$ 258,111	\$ 84,841	\$ 342,952
Member	145,068		145,068
Total contributions	<u>403,179</u>	<u>84,841</u>	<u>488,020</u>
Appropriation for Administrative Expense	<u>301</u>		<u>301</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	2,069,817	34,996	2,104,813
Interest	155,276	16,600	171,876
Dividends	97,356	2,284	99,640
Income - Real Estate	20,146	616	20,762
Total Investment Income	<u>2,342,595</u>	<u>54,496</u>	<u>2,397,091</u>
Less: Investment Expense	24,641	2,107	26,748
Net Investment Income	<u>2,317,954</u>	<u>52,389</u>	<u>2,370,343</u>
Total Additions	<u>2,721,434</u>	<u>137,230</u>	<u>2,858,664</u>
Deductions:			
Benefit Payments	287,811	35,521	323,332
Refunds	16,705		16,705
Administrative Expense	5,730		5,730
Other Deductions (Net)	85,057		85,057
Total Deductions	<u>395,303</u>	<u>35,521</u>	<u>430,824</u>
Net Increase	<u>2,326,131</u>	<u>101,709</u>	<u>2,427,840</u>
Net Assets Held In Trust for Pension Benefits			
Beginning of Year	4,978,923	273,946	5,252,869
Adjustments to Net Assets	(51,691)	6,565	(45,126)
End of Year	<u>\$ 7,253,363</u>	<u>\$ 382,220</u>	<u>\$ 7,635,583</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government		Totals Reporting Entity
	Internal		(Memorandum	Component	(Memorandum
	Enterprise	Service	Only)	Units	Only)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 839,276	\$ 33,459	\$ 872,735	\$ 88,325	\$ 961,060
CASH RECEIVED FROM CUSTOMERS - STATE	41,778	74,260	116,038		116,038
COLLECTION OF PROGRAM LOANS				242,697	242,697
PROGRAM LOANS ISSUED				(156,999)	(156,999)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(370,387)	(49,492)	(419,879)	(125,817)	(545,696)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(77,290)	(36,066)	(113,356)	(37,101)	(150,457)
CASH PAYMENTS FOR CLAIMS EXPENSE	(288,269)	(17,035)	(305,304)		(305,304)
CASH PAYMENTS (TO) FROM OTHER SOURCES	(4,578)	9	(4,569)		(4,569)
NET CASH PROVIDED BY OPERATING ACTIVITIES	140,530	5,135	145,665	11,105	156,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
PROCEEDS FROM BOND ISSUANCE				162,184	162,184
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				(267)	(267)
PRINCIPAL PAYMENT ON DEBT				(88,497)	(88,497)
DEBT RELATED EXPENSES				(66,531)	(66,531)
SUBSIDIES				46,842	46,842
NONOPERATING FEES	349		349		349
OPERATING TRANSFERS-IN FROM OTHER FUNDS	57,977	3,565	61,542	49,343	110,885
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(155,096)	(3,548)	(158,644)	(2,269)	(160,913)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(96,770)	17	(96,753)	100,805	4,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(5,451)	(2,144)	(7,595)	(8,660)	(16,255)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(2,000)	(4,164)	(6,164)	(4,264)	(10,428)
INCREASE IN RESTRICTED ASSET-CONSTRUCTION ACCOUNT				(23,509)	(23,509)
RESTRICTED INCOME-CONSTRUCTION				300	300
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(48)		(48)	(3,342)	(3,390)
PROCEEDS FROM SALE OF EQUIPMENT	327	252	579	4	583
CONTRIBUTED CAPITAL				27,607	27,607
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(7,172)	(6,056)	(13,228)	(11,864)	(25,092)
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENT SECURITIES	(1,114,343)	(4,941)	(1,119,284)	(1,131,089)	(2,250,373)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	1,079,591		1,079,591	1,271,245	2,350,836
INTEREST AND DIVIDENDS ON INVESTMENTS	34,826	463	35,289	41,923	77,212
NET CASH USED IN INVESTING ACTIVITIES	74	(4,478)	(4,404)	182,079	177,675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,662	(5,382)	31,280	282,125	313,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	122,862	20,275	143,137	78,841	221,978
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 159,524	\$ 14,893	\$ 174,417	\$ 360,966	\$ 535,383

	Proprietary Fund Types		Totals		Totals
			Primary		Reporting
			Government	Component	Entity
	Enterprise	Internal	(Memorandum	Units	(Memorandum
	Service	Only)		Only)	
RECONCILIATION OF OPERATING INCOME TO NET CASH					
PROVIDED BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ (100,759)	\$ (7,494)	\$ (108,253)	\$ 3,792	\$ (104,461)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET					
CASH PROVIDED BY OPERATING ACTIVITIES:					
DEPRECIATION AND AMORTIZATION	10,132	5,746	15,878	12,916	28,794
INTEREST AND OTHER INVESTMENT INCOME	(39,028)	(442)	(39,470)	(9,956)	(49,426)
SUBSIDIES				(32,988)	(32,988)
INTEREST EXPENSE				13,816	13,816
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	60,113	(335)	59,778	7,310	67,088
CHANGE IN ASSETS AND LIABILITIES:					
(INCREASE) DECREASE IN RECEIVABLES, NET	(3,224)	20	(3,204)	10,440	7,236
(INCREASE) DECREASE IN INTERFUND RECEIVABLES	103	325	428		428
(INCREASE) DECREASE IN INVENTORIES	(636)	(54)	(690)	88	(602)
(INCREASE) DECREASE IN PREPAID EXPENSES	(46)	(95)	(141)	(80)	(221)
(INCREASE) DECREASE IN OTHER ASSETS	128		128	(4,412)	(4,284)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	48,793	(143)	48,650	6,892	55,542
INCREASE (DECREASE) IN INTERFUND PAYABLES	1,888	(1,209)	679	(9)	670
INCREASE (DECREASE) IN CLAIMS LIABILITY	163,528	8,617	172,145		172,145
INCREASE (DECREASE) IN CLAIMS ADJUSTMENT LIABILITY	6,927		6,927		6,927
INCREASE (DECREASE) IN COMPENSATED ABSENCES	353	308	661	833	1,494
INCREASE (DECREASE) IN OTHER LIABILITIES	41		41	998	1,039
INCREASE (DECREASE) IN DEFERRED REVENUE	(7,783)	(109)	(7,892)	1,465	(6,427)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 140,530</u>	<u>\$ 5,135</u>	<u>\$ 145,665</u>	<u>\$ 11,105</u>	<u>\$ 156,770</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 1996

	Component
	Units
PER COMBINED BALANCE SHEET	\$ 627,698
LESS: UNIVERSITIES	(266,732)
CASH AND CASH EQUIVALENTS FOR	
PROPRIETARY COMPONENT UNITS	<u>\$ 360,966</u>

THE PROPRIETARY FUND ACQUIRED ASSETS OF \$22,323(000) THROUGH NON-CASH TRANSACTIONS. CONTRIBUTED CAPITAL TOTALED \$19,275,(000). CAPITAL LEASES TOTALED \$3,048,(000). PAYMENTS FOR PRINCIPAL AND INTEREST FOR THE YEAR WERE \$534,(000) AND \$15,(000), RESPECTIVELY. GRAND PRIZE INVESTMENTS AND THE RELATED PRIZE LIABILITY WERE INCREASED DURING THE YEAR BY APPROXIMATELY \$16,553,(000) ACCRETION OF INTEREST.

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
 ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Totals June 30, 1996
REVENUES:	
TUITION AND FEES	\$ 319,913
FEDERAL GRANTS AND CONTRACTS	136,265
STATE/LOCAL GRANTS AND CONTRACTS	30,888
PRIVATE GIFTS, GRANTS AND CONTRACTS	28,822
ENDOWMENT INCOME	4,512
SALES AND SERVICES OF EDUCATION ACTIVITIES	44,840
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	352,634
OTHER REVENUES	140,834
TOTAL CURRENT REVENUES	1,058,708
EXPENDITURES AND TRANSFERS:	
EDUCATIONAL AND GENERAL:	
INSTRUCTION	517,654
RESEARCH	79,720
PUBLIC SERVICE	140,443
ACADEMIC SUPPORT	92,894
LIBRARIES	46,752
STUDENT SERVICES	70,650
INSTITUTIONAL SUPPORT	110,810
STUDENT FINANCIAL AID	142,629
MAINTENANCE AND OPERATION	101,570
OTHER EXPENDITURES	463
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	1,303,585
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	66,824
LOAN FUND	275
UNEXPENDED PLANT FUND	1,374
RETIREMENT OF INDEBTEDNESS	120
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	(25,804)
CURRENT FUND - RESTRICTED	(3,256)
LOAN FUND	20
ENDOWMENT AND SIMILAR FUNDS	141
UNEXPENDED PLANT FUND	31,829
RETIREMENT OF INDEBTEDNESS	716
RENEWAL AND REPLACEMENT	1,225
TOTAL EDUCATIONAL AND GENERAL	1,377,049
AUXILIARY ENTERPRISES AND HOSPITALS:	
EXPENDITURES	325,095
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	12,582
RENEWAL AND REPLACEMENT	81
RETIREMENT OF INDEBTEDNESS	1,117
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	13,046
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	
FOUNDATIONS	
UNEXPENDED PLANT FUND	2,830
RENEWAL AND REPLACEMENT	40,644
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	395,395
TOTAL EXPENDITURES AND TRANSFERS	1,772,444
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
TRANSFERS FROM PRIMARY GOVERNMENT	709,478
TRANSFERS TO PRIMARY GOVERNMENT	(4,260)
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	12,116
INDIRECT COST RECOVERED	5,264
REFUNDS TO GRANTORS	(202)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	(301)
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 8,359

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES
 ALL UNIVERSITY AND COLLEGE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Totals June 30, 1996
REVENUES AND OTHER ADDITIONS:	
EDUCATIONAL AND GENERAL REVENUES	\$ 514,145
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	352,907
INDIRECT COST RECOVERED	4,780
RESTRICTED GRANTS AND CONTRACTS	287,415
RESTRICTED GIFTS AND GRANTS	53,173
ENDOWMENT INCOME	4,539
INTEREST AND OTHER INVESTMENT INCOME	27,252
EXPENDED FOR PLANT FACILITIES	118,688
RETIREMENT OF INDEBTEDNESS	52,878
OTHER REVENUE AND ADDITIONS	108,479
TOTAL REVENUES AND OTHER ADDITIONS	<u>1,524,256</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
EDUCATIONAL AND GENERAL EXPENDITURES	1,302,833
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	325,095
REFUNDS TO GRANTORS	147
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	543
LOAN CANCELLATIONS	970
PAYMENT TO BENEFICIARIES	558
EXPENDED FOR PLANT FACILITIES	78,363
RETIREMENT OF INDEBTEDNESS	52,912
INTEREST PAYMENTS	46,564
DISPOSAL OF PLANT FACILITIES	49,546
NOTES ISSUED	5,908
OTHER EXPENDITURES	151,274
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>2,014,713</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):	
NON-MANDATORY TRANSFERS FOR:	
TRANSFERS FROM PRIMARY GOVERNMENT	755,823
TRANSFERS TO PRIMARY GOVERNMENT	(4,464)
TOTAL TRANSFERS AMONG FUNDS	<u>751,359</u>
INCREASE (DECREASE) IN FUND BALANCE	260,902
FUND BALANCE AT JULY 1, (NOTE 2) AS RESTATED	2,677,078
FUND BALANCE AT JUNE 30	<u>\$ 2,937,980</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the AICPA Audit Guide, Audits of Colleges and Universities.

B. Financial Reporting Entity - For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, account groups, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational entities comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and those which are legally separate. Organizations, not legally separate, are reported as part of the primary government. Legally separate organizations are reported as component units if either, the Commonwealth is financially accountable or whose exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services almost entirely or exclusively to the primary government or their governing body is substantively the same as the governing body for the primary government. All other component units are discretely presented.

Audited financial statements are available for the following blended component units: Kentucky Lottery Corporation and the Kentucky Turnpike Authority. Audited financial statements are available for all discretely presented component units except the Agricultural Finance Authority and the Kentucky Grain Insurance Corporation. (See page 77 for complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government using the blending method.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate created to issue all revenue bonds for state agencies, unless those agencies are specifi-

cally authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that would distinguish it as being legally separate from the Commonwealth. This authority's sole purpose is the maintenance of the Commonwealth's locks and dams on the Kentucky River. The Governor appoints the ten members of this authority.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate.

School Facilities Construction Commission (KRS 157.617)

The commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the Commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the Commission. The Commission was audited in conjunction with the Commonwealth's financial statements.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turnpike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The seven members of the authority are all ex officio members, including the Governor.

Board of Agriculture (KRS 246.120)

The board is a body corporate created to act as an advisory board to the Commissioner of Agriculture and aid him in the collection of information concerning crops and in the promulgation of industrial information and act as an immigration committee. The board consists of nine members, two ex officio members and seven citizens of the Commonwealth appointed by the Governor.

Kentucky Savings Bond Authority (KRS 293.030)

The authority is a body corporate and politic created to promote investment by the general public in bonds of the Commonwealth

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and to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

State Board of Physical Therapy (KRS 327.030)

The board is a body created to enforce the statutes relating to the licensing and regulation of physical therapists. The board has the power to institute criminal proceedings in the name of the Commonwealth against violators of statutes pertaining to physical therapists. The board consists of five members appointed by the governor.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported in a separate discrete column that is labeled as "Component Units" to emphasize these organizations' separateness from the State's primary government.

Bluegrass State Skills Corporation (KRS 154.12-205)

This corporation was created and established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skills training and education. The board of directors consists of eighteen members, five ex officio members and thirteen members appointed by the Governor.

Kentucky State Fair Board (KRS 247.090)

This board is a body corporate created to account for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Twelve members compose the board, 3 ex officio members, the other nine appointed by the Governor.

Kentucky Center for the Arts Corporation (KRS 153.410)

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor.

Kentucky Educational Television Authority (KRS 168.030)

KET is a public body corporate and politic created to prescribe and enforce regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members, five being appointed by the Governor. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation, which receives, holds and administers gifts and grants in the name of and with the approval of the authority.

Kentucky Economic Development Finance Authority (KRS 154.20-010)

KEDFA possesses the corporate powers necessary to distinguish it as being legally separate from the Commonwealth and was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include: The Commonwealth Small Business Development Corporation, the Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units have been combined with those of the authority.

Kentucky Higher Education Assistance Authority (KRS 164.742)

This authority is a body corporate and politic created to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions, and by insuring eligible student loans.

Kentucky Higher Education Student Loan Corporation (KRS 164A.050)

KHESLC is a body corporate and public created to perform essential governmental and public functions and purposes in improving and promoting the education opportunities of the citizens of the Commonwealth. The board of directors consists of seven members, three ex officio members and four members appointed by the Governor.

Kentucky Educational Savings Plan Trust (KRS 164A.310)

This trust was established to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation (KRS 198A.030)

The Housing Corporation is a body corporate and public created to perform essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor.

Kentucky Infrastructure Authority (KRS 224A.030)

The authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public

agencies in the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and three members appointed by the Governor.

Kentucky Agricultural Finance Corporation (KRS 247.944)

KAFC is a corporation created to improve and promote the health and general welfare of the people through the promotion of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor.

Kentucky Grain Insurance Corporation (KRS 251.620)

KGIC is a body politic created to promote the state's welfare by improving the economic stability of agriculture and protecting grain producers in the event of the financial failure of a grain dealer or warehousemen. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture.

Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor.

State Colleges and Universities (KRS 164.350)

Each board of regents or board of trustees are appointed by the Governor, and constitute a body corporate with the power to receive and administer revenue and property.

C. Fund Structure and Basis of Accounting - Primary Government - The accompanying financial statements are structured into three fund categories and two account groups. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

Governmental Funds include:

General Fund - accounts for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

Special Revenue Funds - account for specific revenue sources, other than for expendable trusts or major capital projects, dedicated to specific operations.

Debt Service Fund - accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related administrative costs.

Capital Projects Fund - accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

All of the governmental funds (where the measurement focus is on the flow of current financial resources) are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Available revenue will be received within 30 days. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levies (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date. Expenditures are recorded at the time liabilities are incurred except: (1) inventories generally are considered expenditures at acquisition; (2) prepayments usually are accounted for as expenditures of the period of acquisition; (3) principal and interest on long-term debt are recorded when paid; and (4) compensated absences are accounted for as expenditures of the period when used. Encumbrances represented by executed and unperformed contracts, which have been approved by the Finance and Administration Cabinet, at year end are reported as reservations of fund balance for subsequent year expenditure in the Capital Projects and Transportation Funds. Encumbrances in all other funds lapse at the end of the fiscal year.

Proprietary Funds:

The State has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's proprietary funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

Enterprise Funds - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State

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Notes to Combined Financial Statements
June 30, 1996

agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

Internal Service Funds - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenses are recognized at the time liabilities are incurred.

Fiduciary Funds include:

Expendable Trust Funds - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

Pension Trust Funds - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.

Agency Funds - account for monies held by the Commonwealth and deferred compensation plans for custodial purposes only.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting and are reported in the same manner as governmental fund types. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

Account Groups include:

General Fixed Assets Account Group - accounts for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary and fiduciary fund types.

General Long-Term Obligations Account Group - accounts for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary and fiduciary fund types.

Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments: The State Property and Buildings Commission issued \$41,380,000 Taxable University Refunding bonds. The proceeds from this issue were used to purchase certain outstanding Housing and Dining Revenue bonds of the State's universities. The income from the Housing and Dining bonds will be used to pay the debt service on the Project Revenue bonds. Savings will be used to reduce the universities' debt service requirements. See Note 15 for additional information.

D. Component Units - presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

E. Budgetary Process and Control - The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The Legislature reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, subject to legislative override.

The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose. A budget bill shall not be effective past July 1 of the year in which the next regular session takes place.

Budgetary control is maintained at the budget unit level as designated by the Legislature (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Finance and Administration Cabinet and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

The funds which have legally adopted annual budgets as part of the primary government include the following: General, Transportation, Federal, Agency Revenue, State Parks, Industries for the Blind, Horse Park, Insurance Administration, Computer Services, Central Stores, Telecommunications, Prison Industries, Central Printing, Property Management, and Risk Management. In addition, the State Fair Board Fund, which is shown as a discretely presented component unit, has a legally adopted budget. Capital Projects are budgeted on a project length basis.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except that the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a joint budget resolution or for expenditure for any other purpose than specified in a joint budget resolution and a budget memorandum.

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However, budgetary funds except General Fund, Transportation Fund, and Capital Projects Fund, may be amended in an amount up to the actual receipts (not to exceed 5%) by an Advice of Change Order from the Secretary of the Finance and Administration Cabinet. No supplemental appropriations were required during this fiscal year.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts other than commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditures. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except in the Capital Projects and Transportation Funds, which have project length budgets. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in Note 4.

F. Cash and Cash Equivalents - In addition to bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with a maturity of 90 days or less, from date of purchase. Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at market. Short-term investments, classified as cash equivalents at June 30, 1996, are \$2,545,234,340.

G. Investments - This classification includes long-term investments which are stated at cost, amortized cost, or fair value. Investments of the Deferred Compensation Plan are reported at market value. See Note 5 for investment detail.

H. Receivables - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. The allowance for uncollectibles amounted to \$422,421,721.

I. Interfund Transactions - The Commonwealth has the following types of interfund transactions:

Quasi-external Transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

Operating Transfers - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund transactions is presented in Note 7.

J. Inventories - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase. Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

K. Fixed Assets and Depreciation-General Fixed Assets - All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the General Fixed Assets Account Group at historical cost, estimated historical cost or fair market value at time of donation. Buildings of \$617,576,000 at June 30, 1996, were valued as follows: \$351,154,000 at estimated historical cost, \$265,550,000 at historical cost and \$872,000 at fair market value at time of donation. Land of \$76,748,000 at June 30, 1996, was valued as follows: \$33,473,000 at estimated historical cost, \$30,199,000 at historical cost, and \$13,076,000 at fair market value at time of donation. The estimates of historical cost were based on appraised value, as of June 30, 1986, indexed to the date of acquisition. Also, public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized. No depreciation is provided on general fixed assets.

Proprietary and Similar Fiduciary Fund Types - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair market value at the time of donation. Historical cost has been estimated for approximately eighty-seven percent (87%) of the land cost and fifty-seven percent (57%) of the proprietary fund's buildings cost as of June 30, 1996. The estimate of historical cost was based on appraised value as of June 30, 1986, indexed to the date of acquisition. Land and buildings acquired after June 30, 1986, have been valued at historical cost. They are being depreciated principally on a

COMMONWEALTH OF KENTUCKY
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straight-line basis over estimated useful lives ranging from 20 to 50 years for buildings, 3 to 25 years for machinery and equipment, and 10 to 60 years for improvements other than buildings.

It is the Commonwealth's policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB Statement No. 62.

The discretely presented component unit financial statements of The Kentucky Center for the Arts, Fiscal Year 1996, do not contain the Center's fixed assets. The Finance and Administration Cabinet, Division of Accounts, Financial Reporting Branch, has adjusted the discretely presented component units column on the

appropriate combined statements included in the Commonwealth of Kentucky Comprehensive Annual Financial Report for the Year Ended June 30, 1996, to add dollar amounts for fixed assets, depreciation, and contributed capital associated with the Center in order to satisfy GAAP requirements regarding the State financial reporting entity.

L. Fund Equity Reserves and Designations - The Commonwealth's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure, or (2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

Fund Balance Reserved for Other Specific Purposes
(Expressed in Thousands)

	Primary Government		Component Units
	General	Special Revenue	Universities
Loans	\$	\$ 8,983	\$
Inventories	11,776	30,709	
Restricted gifts, grants and contracts			585,560
Deposit with fiscal agents		5,601	
Compensating balance with depositories		1,000	
Budget Stabilization	200,000		
TOTALS	\$ 211,776	\$ 46,293	\$ 585,560

M. Long-Term Obligations - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences reported in the General Long-Term Obligations Account Group include accumulated unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material.

The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. At June 30, 1996, the estimated liability for accrued annual leave for the governmental and Primary Government proprietary funds was \$132,959,577 and \$8,569,158, respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 1996, the estimated liability for compensatory leave in the governmental and Primary Government proprietary funds was \$37,789,337 and \$2,217,971, respectively.

Sick leave for the Primary Government is earned one day per month with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement. There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.
4. Judgements and contingent liabilities of governmental funds which will not be paid with current resources are reported in the General Long-Term Obligations Account Group.
5. Long-term liabilities of all proprietary and pension trust funds are accounted for in the respective funds.

Long-term obligations exclude those amounts reported as expenditures for compensated absences, judgements, contingencies, and employer pension contributions in the governmental funds which are the amounts that would normally be liquidated with expendable available financial resources.

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N. Contributed Capital - The Proprietary Funds receive general fund appropriations and proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group. The assets acquired with the proceeds of the revenue bonds are accounted for in the proprietary funds with an offsetting entry to contributed capital.

(Expressed in Thousands)

Primary Government - Enterprise Fund

Contributed capital as of June 30, 1995	\$ 65,913	
Additions: Fiscal Year 1996	<u>19,036</u>	\$ 84,949
Amortization through June 30, 1995	\$ (19,494)	
Additions: Fiscal Year 1996	<u>(1,647)</u>	
		<u>(21,141)</u>
Net contributed capital as of June 30, 1996		<u>\$ 63,808</u>

Primary Government - Internal Service Fund

Contributed capital as of June 30, 1995	\$ 866	
Additions: Fiscal Year 1996	<u>60</u>	\$ 926
Amortization through June 30, 1995	\$ (98)	
Additions: Fiscal Year 1996	<u>(70)</u>	
		<u>\$ (168)</u>
Net contributed capital as of June 30, 1996		<u>\$ 758</u>

Component Units - Proprietary Funds

Contributed capital as of June 30, 1995	\$ 160,757	
Additions: Fiscal Year 1996	<u>179</u>	\$ 160,936
Amortization through June 30, 1995	\$ (59,826)	
Additions: Fiscal Year 1996	<u>(4,920)</u>	
		<u>\$ (64,746)</u>
Net contributed capital as of June 30, 1996		<u>\$ 96,190</u>

O. Totals - Memorandum Only - Total columns (memorandum only) have been added to certain statements to reflect totals for both the primary government and the reporting entity. These columns are presented for overview informational purposes and do not represent consolidated financial information.

Note 2

CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR PERIOD ADJUSTMENTS

The fund balances/retained earnings as previously reported have been restated to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

Special Revenue Fund - The Federal Fund, within the Special Revenue Fund, was restated to implement GASB Statement 24. The net effect of this adjustment was an increase in fund balance of \$6,216,000.

The Agency Revenue Fund, within the Special Revenue Fund, was restated to include \$248,000 previously omitted, to remove \$2,141,000 reported in error, and to remove \$36,000 erroneously reported in this fund. The net effect of these adjustments was a decrease in the fund balance of \$1,929,000.

The Other Special Revenue Fund, within the Special Revenue Fund, was restated to remove amounts previously reported in error. The net effect of these adjustments was a decrease in fund balance of \$57,000.

Capital Projects Fund - The Capital Projects Fund was increased to include an amount previously omitted. The effect of this adjustment was an increase in fund balance of \$388,000.

Debt Service Fund - The Debt Service Fund was decreased to remove an amount included in error. The effect of these adjustments was a decrease in fund balance of \$160,000.

Enterprise Funds - The State Parks Fund, within the Enterprise Fund, was restated to include a capital lease liability of \$368,000 and to remove \$42,000 previously reported in error. The net effect of these adjustments was a net decrease in retained earnings of \$410,000.

The retained earnings of the Kentucky Kare Health Insurance Plan, which is accounted for in the Insurance Administration Fund, were decreased by \$2,342,403. This adjustment was the result of an increase in deferred revenue for prior years.

Trust and Agency Funds - During fiscal year 1996, retirement systems adopted the provisions of GASB Statement 25. The effect of the change in accounting principles was a decrease in the beginning net assets held in trust for pension benefits for the Kentucky Employees Retirement System of \$30,987,000, County Employees Retirement System of \$17,444,000 and State Police Retirement System of \$3,613,000. The change in accounting principles resulted in an increase in beginning net assets held in trust of \$320,000 for the Judicial Retirement Plan, \$33,000 for the Legislators' Retirement Plan, and \$6,565,000 for the Kentucky Retirement Insurance Fund.

Component Units - The retained earnings for the State Fair Board were decreased from the amount previously reported by \$782,000. This adjustment resulted from the use of the audited financial statements of the component units and the difference in application of accounting policies.

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The retained earnings of the Kentucky Higher Education Assistance Authority were increased to reflect the reserve funds received when it assumed the operation of the Alabama Guaranteed Student Loan Program. The net effect of this transaction was an increase in retained earnings of \$11,071,000.

The fund balance for universities was decreased \$179,174,000 to correct an amount included in the prior year in error.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. The Special Revenue Fund - The Agency Revenue Fund budgetary statement has an excess of expenditures over appropriations of \$5,100,000 at June 30, 1996, for Campbell, Daviess, Fayette, Hardin, Jefferson, Kenton, Pike, and Warren counties, and is in accordance with State statutes. State statutes permit that "deficits may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." These amounts are within the statutes and repayment will be made during the term of office of the official.

B. The Enterprise Fund - The Insurance Administration Fund has a deficit retained earnings of \$1,097,045,000. The deficit is the result of the inclusion of the actuarial liability for the risk pools, which will be funded in future periods.

C. The Internal Service Fund - The Risk Management Fund has a deficit retained earnings of \$51,198,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured worker's compensation programs, and is to be funded in future periods.

D. Component Units - Governmental Fund Types - Bluegrass State Skills Corporation has a deficit fund balance of \$160,000. The deficit is the result of expenditure accruals which will be funded in future periods.

Proprietary Fund Types - The Kentucky Educational Television Authority has a deficit retained earnings of \$4,532,000. The Kentucky Local Correctional Facilities Construction Authority has a deficit retained earnings of \$23,757,000, resulting from the recognition of loan commitments before financing was arranged. The Authority will issue bonds to satisfy these commitments in the future.

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Note 4

Fund type are not budgeted and are shown for comparison purposes only.

BUDGETARY BASIS VS. GAAP

The accompanying Combined Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)-All Budgeted Fund Types, presents comparisons of the legally adopted budget (see Note 1E) with actual data on budgetary basis. The Other Special Revenue Fund within the Special Revenue Fund type and the Kentucky Lottery Corporation within the Enterprise

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1996, to the fund balance on a modified accrual basis follows (expressed in thousands):

Budgetary Funds	General	Special Revenue	Enterprise	Internal Service	Expendable Trust	Component Units
Financial Statements Funds	General	Special Revenue	Enterprise	Internal Service	Fiduciary	Component Units
Fund Balance/Retained Earnings June 30, 1996:						
Budgetary Basis	\$ 503,028	\$ 1,415,556	\$ 249,840	\$ 47,098	\$ 485,612	\$ 90,938
Adjustments:						
Accrued Revenues	208,195	405,541	3,837	1,916	1,500	
Accrued Expenditures	(239,091)	(455,420)	(3,858)	(3,302)	(49,762)	
Accrued Transfers (Net)	(5,517)	531	(4)			
Total Accruals ¹	(36,413)	(49,348)	(25)	(1,386)	(48,262)	
Reclassifications and Other Adjustments:						
Inventory Balances ¹	11,776	30,645	4,184	4,945		
To Reclassify Financial Resources into Financial Statement Fund Types ²		(567,451)	(454,616)	(13,585)		
To Record Financial Resources available as Non-Budgeted Funds ³	(15,000)	386,071	(754,545)	(67,355)	14,816,641	3,508,747
Fund Equity/Other Credits June 30, 1996:						
GAAP Basis	\$ 463,391	\$ 1,215,473	\$ (955,162)	\$ (30,283)	\$ 15,253,991	\$ 3,599,685

¹ Basis Differences

² Perspective Differences

³ Entity Differences

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
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Note 5

EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS

The State maintains a cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and Component Units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are permitted to purchase common stocks, corporate bonds and real

property and mineral rights. The State is also eligible to invest in reverse repurchase agreements.

Deposits - At year end, the carrying amount of the State's deposits for the Primary Government was \$1,185,407,934 and \$222,059,742 for the Component Units. At year end, the bank balance was \$1,267,121,584 and \$215,260,872 for the Primary Government and Component Units, respectively. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the State or the State's agent in the State's name. The following table categorizes the Primary Government's and Component Units' deposits as: (1) insured or collateralized with securities by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name; or (3) uncollateralized where securities are held by the pledging institution but not in the entity's name.

CASH - PRIMARY GOVERNMENT

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 626,024,532	\$	\$ 61,786,923	\$ 687,811,455	\$ 613,834,764
Cash with Fiscal Agents	37,736,450		22,615,427	60,351,877	54,407,450
Imprest and Change	9,967,083			9,967,083	8,174,501
Money Market			23,378,987	23,378,987	23,379,037
Totals	<u>\$ 673,728,065</u>	<u>\$</u>	<u>\$ 107,781,337</u>	781,509,402	699,795,752
Cash on Deposit with Federal Government				485,612,182	485,612,182
Totals				<u>\$ 1,267,121,584</u>	<u>\$ 1,185,407,934</u>

CASH - COMPONENT UNITS

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 140,401,841	\$ 6,445,314	\$ 14,395,370	\$ 161,242,525	\$ 168,041,395
Money Market	11,327,165	40,112,260	47	51,439,472	51,439,472
Nonnegotiable Certificates of Deposit	2,578,875			2,578,875	2,578,875
Totals	<u>\$ 154,307,881</u>	<u>\$ 46,557,574</u>	<u>\$ 14,395,417</u>	<u>\$ 215,260,872</u>	<u>\$ 222,059,742</u>

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Investments - The State holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the State are administered by the Office of Financial Management and Economic Analysis. The credit risk of those investments held in the State investment pool is all Category (1). The credit risk mix of the retirement systems, component units, and other State agencies is disclosed in the financial statement footnotes of the individual entities. The following tables categorize the Primary Government's

and Component Units' investments as: (1) those investments which are insured or registered, or held by the State of Kentucky or its agent in the State's name; Category (2) those investments which are uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name; and Category (3) those investments which are uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

INVESTMENTS - PRIMARY GOVERNMENT

	Categories			Net Investment	Market Value
	1	2	3		
Government Securities	\$ 5,313,117,192	\$ 184,491,505	\$	\$ 5,497,608,697	\$ 5,502,085,231
Corporate Bonds	1,350,576,137			1,350,576,137	1,348,747,246
Common Stocks	7,617,868,998			7,617,868,998	8,497,362,159
Repurchase Agreements	995,195,217	891,601,400		1,886,796,617	1,886,796,617
State and Municipal Obligations	13,278,195			13,278,195	13,226,079
Commercial Paper	123,105,261			123,105,261	123,105,261
Totals	<u>\$ 15,413,141,000</u>	<u>\$ 1,076,092,905</u>	<u>\$</u>	<u>\$ 16,489,233,905</u>	<u>\$ 17,371,322,593</u>
Mutual Funds				142,145,830	142,145,830
Real Estate				519,396,036	521,127,908
Mortgages				109,478,243	118,447,576
Annuity Contracts				190,595,144	190,595,144
State Investment Pool				324,912,571	321,827,851
Investments Held by Broker-Dealers					
Under Securities Loans				273,300,492	273,300,492
Other				136,845	115,445
Total Investments				<u>\$ 18,049,199,066</u>	<u>\$ 18,938,882,839</u>

INVESTMENTS - COMPONENT UNITS

	Categories			Net Investment	Market Value
	1	2	3		
Government Securities	\$ 295,412,366	\$ 192,901,043	\$ 5,395	\$ 488,318,804	\$ 487,842,494
Negotiable Certificates of Deposit	11,312,290			11,312,290	11,312,290
Corporate Bonds	32,616,722	553,330		33,170,052	33,332,756
Other	4,305,950		178,000	4,483,950	4,589,339
Common Stock	68,298,336	24,733		68,323,069	78,297,034
Repurchase Agreements	219,855,352	3,573,381	105,389	223,534,122	223,428,733
State and Municipal Obligations	105,830	409,330		515,160	548,384
Preferred Stock	868,000			868,000	868,000
Commercial Paper	13,675,991	20,496,564		34,172,555	34,172,555
Closed-End Mutual Funds	4,149,370	328,203		4,477,573	4,704,338
Totals	<u>\$ 650,600,207</u>	<u>\$ 218,286,584</u>	<u>\$ 288,784</u>	<u>\$ 869,175,575</u>	<u>\$ 879,095,923</u>
Endowment Funds				74,650,187	77,717,674
Open-End Mutual Funds				32,119,939	34,133,502
Guaranteed Investment Contracts				36,155,991	36,155,991
Real Estate				299,362	313,362
Trust Funds				14,335,676	14,035,566
State Investment Pool				374,868,528	371,309,526
Total Investments				<u>\$ 1,401,605,258</u>	<u>\$ 1,412,761,544</u>

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Statutes require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

Securities Lending Program - State statutes, as interpreted by opinions of the Attorney General, authorize the Commonwealth to enter into bonds borrowed/bonds pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the State is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred. The securities transferred are a part of the total investments reported above. The securities being held are not reported as a part of the total investments. The Commonwealth retains the interest income on the securities being transferred and received a fee of 9.5 basis points from 7/1/95 to 6/30/96. During the

year, the State earned \$1,744,745 in securities lending income. On June 30, 1996, the market value of the securities transferred was \$1,820,556,609 and the market value of the securities the Commonwealth was holding was \$1,856,980,380. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. At year end, the Commonwealth has no credit risk exposure to borrowers because the amounts the Commonwealth owes the borrowers exceed the amounts the borrowers owe the Commonwealth.

Options - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation should the option be exercised. On June 30, 1996, the portfolio included \$30,000,000 of obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par after a specific date.

Note 6

GENERAL FIXED ASSETS

A statement of changes in general fixed assets for the year ended June 30, 1996, is presented below (Expressed in Thousands):

	Land	Buildings	Machinery and Equipment	Construction in Progress	Totals
Balance June 30, 1995	\$ 71,443	\$ 546,166	\$ 507,167	\$ 196,623	\$ 1,321,399
Additions	5,819	73,119	81,694	20,761	181,393
Deletions	(514)	(1,709)	(39,045)	(55,292)	(96,560)
Balance June 30, 1996	<u>\$ 76,748</u>	<u>\$ 617,576</u>	<u>\$ 549,816</u>	<u>\$ 162,092</u>	<u>\$ 1,406,232</u>

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Note 7

INTERFUND TRANSACTIONS

The table below shows the interfund receivables and payables and interfund operating transfers for fiscal year 1996 (Expressed in Thousands):

<u>Interfund Receivables and Payables</u>			<u>Transfers In/Out</u>		
<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General	\$ 128,491	\$ 37,377	General	\$ 185,745	\$ 1,092,173
Special Revenue:			Special Revenue:		
Transportation	6,146	13,107	Transportation	224	159,511
Federal	18,075	122,069	Federal	684	12,906
Agency Revenue	132,684	57,775	Agency Revenue	242,188	209,692
Other Special Revenue	3,831	45,063	Other Special Revenue	351,379	383,033
Debt Service	345	26,822	Debt Service	356,670	28,016
Capital Projects	3,894	794	Capital Projects	56,772	46,831
Enterprise:			Enterprise:		
State Parks	114	441	State Parks	40,637	927
Industries for the Blind	22	1	Kentucky Lottery Corporation		147,000
Horse Park	2	51	Industries for the Blind	862	
Insurance Administration	916	5,028	Horse Park	1,430	
Internal Service:			Insurance Administration	1,230	4,169
Computer Services	2,048	588	Internal Service:		
Central Stores	6	3	Computer Services	56	444
Telecommunications	1,198	421	Central Stores		
Prison Industries	2,920	376	Telecommunications	300	17
Central Printing	554	34	Prison Industries		654
Property Management	698	178	Property Management	2,602	13
Risk Management	60	2,034	Risk Management	407	2,493
Fiduciary Funds:			Fiduciary Funds:		
Unemployment Compensation	1,745		Unemployment Compensation	1,742	1,340
Special Benefits	10,778	2,323	Special Benefits	50,681	13,503
Special Deposit Trust	307	816	Special Deposit Trust		
Component Units:			Component Units:		
Governmental	516		Governmental	2,348	
Proprietary	2	51	Proprietary	57,787	2,381
Universities and Colleges	51,687	51,687	Universities and Colleges	755,823	4,464
Totals per financial statements:	<u>\$ 367,039</u>	<u>\$ 367,039</u>	Totals per financial statements	<u>\$ 2,109,567</u>	<u>\$ 2,109,567</u>

Note 8

PENSION PLANS

The employer disclosure for pension trust funds is presented to comply with GASB statement 27 for the Kentucky Retirement System which implemented GASB statements 25 and 26, and for the Judicial Form Retirement System which has implemented GASB statement 25. The Kentucky Teachers' Retirement System is reported in accordance with GASB statement 5 requirements.

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employes Retirement System (KERS), County Employes Retirement System (CERS), and State Police Retirement System (SPRS).

The State contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The State is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan that provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the

basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

The allocation of insurance premiums paid by the Fund and amounts withheld from members' benefits is based on years of service with the Systems, as follows:

<u>Years of Service</u>	<u>Percent Paid by Insurance Fund</u>	<u>Percent Paid by Member Through Payroll Deduction</u>
20 or More	100%	0%
15-19	75%	25%
10-14	50%	50%
4 - 9	25%	75%
Less Than 4	0%	100%

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

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The Judicial Retirement Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The Legislators' Retirement plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are prepared at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Employes Retirement Sytem
Contribution rates:				
State Plan Members	50.60% 5.00%	31.30% 5.00%	23.05% 7.00%	8.75%-18.05% 5%-7%
Portion of State Contribution for Health Insurance			26.58%	8.89%-17.87%
Annual pension costs (in thousands)	\$1,591	\$5,519	\$7,998	\$123,396
Contributions made (in thousands)	\$1,490	\$4,203	\$7,089	\$113,717
Actuarial valuation date	June 30, 1996	June 30, 1996	June 30, 1996	June 30, 1996
Actuarial cost method	Projected unit credit	Projected unit credit	Entry age normal	Entry age normal
Amortization method	Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percent closed	Level percent closed
Remaining amortization period	25 years	25 years	30 years	30 years
Asset valuation method	Cost	Cost	Five-year average of market to book value	Five-year average of market to book value
Actuarial assumptions:				
Investment rate of return	7.00%	7.00%	8.25%	8.25%
Projected salary increases	5.50%	5.50%	6.50%	6.50%
Increase in Health Insurance Cost	6%-10%	6%-10%	7.5%-10%	7.5%-10%
(Dollar amounts in thousands)				
Annual Required Contributions (ARC)	\$ 1,591	\$ 5,519	\$ 7,998	\$ 123,396
Interest on Net Pension Obligation (NPO)	6	269	566	3,801
Adjustment to ARC	(7)	(307)	(344)	(2,308)
Annual pension cost	1,590	5,481	8,220	124,889
Contributions made	1,490	4,203	7,089	113,717
Increase (Decrease) in NPO	100	1,278	1,131	11,172
NPO beginning of year	82	3,841	6,867	46,068
NPO end of year	\$ 182	\$ 5,119	\$ 7,998	\$ 57,240

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Kentucky Employees Retirement System</u>						
June 30, 1994	\$ 2,729,048,987	\$ 2,912,050,275	\$ 183,001,288	0.937	\$ 1,197,168,054	0.153
June 30, 1995	2,983,813,538	3,240,852,288	257,038,750	0.921	1,320,041,446	0.195
June 30, 1996	3,375,295,577	3,415,404,483	40,108,906	0.988	1,318,908,003	0.030
<u>State Police Retirement System</u>						
June 30, 1994	\$ 205,320,509	\$ 206,763,310	\$ 1,442,801	0.993	\$ 36,783,743	0.039
June 30, 1995	217,504,443	241,690,631	24,186,188	0.900	38,955,271	0.621
June 30, 1996	237,515,346	244,540,812	7,025,466	0.971	34,698,957	0.202
<u>Judicial Retirement Plan</u>						
June 30, 1994	\$ 111,316,007	\$ 96,457,897	\$ (14,858,110)	1.154	\$ 15,076,520	(0.986)
June 30, 1995	97,765,420	122,947,042	25,181,622	0.795	17,481,864	1.440
June 30, 1996	133,973,167	133,259,942	(713,225)	1.005	18,963,743	(0.038)
<u>Legislators' Retirement Plan</u>						
June 30, 1994	\$ 28,169,889	\$ 29,739,766	\$ 1,569,877	0.947	\$ 3,410,000	0.460
June 30, 1995	30,895,685	36,100,573	5,204,888	0.856	3,492,500	1.490
June 30, 1996	34,942,019	36,958,664	2,016,645	0.945	3,410,000	0.591

Membership of the retirement systems, at June 30, 1996, is shown in the following table:

	Kentucky Employees Retirement System	County Employees Retirement System	State Police Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Teachers' Retirement System	Totals
Retirees and beneficiaries receiving benefits	19,970	18,169	625	192	90	24,877	63,923
Terminated plan members - vested	2,484	2,339	8	22	40	2,482	7,375
Terminated plan members - non-vested	9,222	13,739	72				23,033
Active plan members	50,597	72,554	1,002	230	124	56,246	180,753
Total members	<u>82,273</u>	<u>106,801</u>	<u>1,707</u>	<u>444</u>	<u>254</u>	<u>83,605</u>	<u>275,084</u>
Number of participating employers	354	1,012	1	1	1	202	1,571

The Kentucky Teachers' Retirement System (KTRS) is a cost sharing multiple employer defined benefit plan which covers substantially all persons occupying positions in the public elementary or secondary schools for which a teaching certificate is required, faculty members of five regional universities, the Commissioner of Education and professional staff, the faculty members of the School for the Deaf, School for the Blind, and the State area vocational schools. This Plan provides for retirement, disability, and death benefits.

KTRS members are required by statute to contribute 9.855% of their salaries to the System. University members are required to contribute 8.375% of their salaries. KRS 161.580 allows each university to reduce the contributions of its members by 2.215%. Therefore,

university members contribute 6.16% of their salary to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for its non-university members and 13.84% of salaries for university members. The member and employer contributions consist of pension contributions and post-retirement contributions. The post-retirement contribution (.75%) finances KTRS's retiree medical and insurance program. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest earned are refunded to the employee upon their request.

Employees are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of fifty-five (55) and

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complete five (5) years of Kentucky service or complete twenty-seven (27) years of Kentucky service. Non-university employees receive monthly payments equal to either two (2) percent (service prior to January 1, 1984) or two and one-half (2 ½) percent (service after January 1, 1984) of their final average salaries for each year of credited service. University employees receive monthly benefits equal to two (2) percent of their final average salary for each year of credited service. The final average salary is the average of the employee's five (5) highest annual salaries. Employees with less than twenty-seven (27) years of service may retire and receive reduced retirement benefits. Members' retirement benefits become vested when they have completed five (5) years of credited service.

The employer and employee contributions to KTRS for the year ended June 30, 1996, were \$307,111,462 (16.40% of covered payroll) and \$201,890,485 (10.75% of covered payroll), respectively.

The employer actuarial required contribution for the 1995-96 fiscal year was \$318,400,000 and the actual contribution was \$307,100,000. The \$11.3 million difference represents the 1994 legislature permanent decrease in funding of COLAs granted in the 1986-88, 1990-92, and 1992-94 bienniums.

In addition to the above employer and member pension contributions, the member and employer made contributions for post-retirement medical insurance benefits. The actuarial cost of ad hoc retiree cost-of-living adjustments granted by the General Assembly is funded over a fifteen year period and is also included as a supplemental appropriation.

Three-Year Historical Trend Information - Teachers' Retirement System (Amounts expressed in millions)

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded (Funds in Excess of) Pension Benefit Obligation	Annual Covered Payroll	Unfunded (Funds in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll	Employer Contribution	% of Covered Payroll	Actuarial Required Contribution
1994	\$ 5,688.1	\$ 7,521.9	75.6%	\$ 1,833.8	\$ 1,748.1	104.9%	\$ 289.5	16.6%	\$ 300.8
1995	6,176.5	8,210.0	75.2%	2,033.5	1,819.8	111.7%	298.4	16.4%	309.7
1996	7,001.6	9,178.6	76.3%	2,177.0	1,877.9	115.9%	307.1	16.4%	318.4

Pension Benefit Obligations of the Retirement Systems - The amount shown below as the "pension benefit obligation" is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Systems on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Systems.

KTRS also provided postretirement health care benefits in accordance with KRS 161.675. To be eligible for medical benefits, the member must have retired either for service or disability, attained age 55 with 5 years of Kentucky service, or had 27 years of service. Eligible dependents include unmarried dependent children under the age of 19 and spouses. Currently, KTRS insurance covers 21,299 retirees and 7,205 dependents.

The postretirement health care provided by KTRS are financed on a pay-as-you-go basis. In order to fund the postretirement health care benefits, one and five-tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriations. Also, effective September 1, 1992, retirees pay from 10-19% of the single premium cost and spouses pay from 45-100% of the cost. Priority is given to members with 20 or more years of service and members age 65 or older. Any amounts not required to meet current costs shall be maintained as a reserve for future health care benefits. As of June 30, 1996, KTRS had \$27,203,177 of net assets available for future health care benefits.

The actuary for KTRS has determined that given the present level of State funding and member contributions, it will take thirty (30) years to fund the unfunded pension benefit obligation.

Ten Year Historical Trend Information - Ten year historical trend information (or as many years as available) showing the progress in funding the pension obligation is available in the audit reports for the individual PERS.

The pension benefit obligation was computed as a part of the actuarial valuations performed as of June 30, 1996. Significant actuarial assumptions used in the valuations include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, and (b) projected salary increases of 4.50 to 8.60% a year. The same assumptions used to compute the pension benefit obligation are used to compute the actuarial required contributions.

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Pension Benefit Obligation (Expressed in Thousands)

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 4,018,237
Current employees:	
Accumulated employee contributions including allocated investment earnings	1,805,336
Employer-financed vested	2,378,879
Employer-financed nonvested	976,125
Total pension benefit obligation	9,178,577
Net assets available for benefits, at cost (market value \$7,884,893)	7,001,560
Unfunded (funds in excess of) pension benefit obligation	\$ 2,177,017

Note 9

EMPLOYEE BENEFIT PLANS

A. Self-Insured Health Care

The Commonwealth of Kentucky offers, as one of ten health insurance options to employees of the State, local boards of education, local health departments and retirees under the age of 65, a self-insured health care plan. Under health care reform, individuals, municipal governments, and qualified small business are also eligible to purchase health insurance from the State's self-insured plan. The plan is known as Kentucky Kare and is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review. Presently, 33,152 persons have selected Kentucky Kare as their health care provider for the plan period January 1, 1996 through December 31, 1996. There are 20,578 single coverage plans; 6,877 family coverage plans; 3,085 enrollee plus dependent children coverage plans; and 2,612 enrollee plus one spouse or child coverage plans.

B. Deferred Compensation

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Department of Personnel and an independent plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the insurance companies holding fixed and variable annuity contracts (carriers). Both plans permit employees to

defer collecting a portion of their salary until future years. This deferment is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under Section 457, all property and rights purchased with that compensation, and all income attributable to that compensation, property, or rights belong solely to the employer until paid to the employee or beneficiary, subject only to the claims of the employer's general creditors. Participants' rights under the Plan are equal to those of the general creditors of the employer in an amount equal to the fair market value of the deferred account for each participant. All compensation deferred under Section 401(k) and resultant assets belong to the Plan participants.

Assets of the 457 Plan are reported in an Agency Fund within the fiduciary fund type. Assets of the 401(k) Plan are not reported in these statements and are not available to the general creditors of the employers.

Of the \$334,778,000 in the 457 Plan at June 30, 1996, \$226,596,000 was applicable to the Commonwealth while the remaining \$108,182,000 represents assets of the other jurisdictions participating in the Plan.

On February 12, 1993, an order to rehabilitate Kentucky Central Life Insurance Company (KCL), one of the carriers for the Kentucky Public Employees Deferred Compensation Authority (the Authority), was granted to the Commonwealth of Kentucky's Department of Insurance because of KCL's deteriorating financial condition. On June 1, 1995, the Jefferson Pilot Life Insurance Company acquired certain assets and assumed liabilities of Kentucky Central Life Insurance Company.

At June 30, 1996, the acquisition plan provides for further distributions from the estate of Kentucky Central Life Insurance Company. These subsequent distributions will be allocated among KCL policy holders who opted into the plan, including the Authority's group annuity fixed contract. The provisions of the Plan also provide for indemnification adjustments which could reduce the account values of participating policy holders if the estate of Kentucky Central Life Insurance Company has not retained sufficient assets to pay all claims entitled to priority over the claims of policy holders. Although the Liquidator of KCL does not currently anticipate that any indemnification claims will be made, the Authority's account balance remains liable for its pro rata share of any indemnification adjustment required by the plan.

Note 10

LEASE OBLIGATIONS

The Commonwealth has entered into various leases for land, buildings, and equipment. Generally, leases contain termination clauses providing for cancellation after 30, 60, or 90 days written

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At June 30, 1996, capitalized leases included equipment as follows (Expressed in Thousands):

	Primary Government		
	Proprietary Fund Types	General Fixed Assets	Component Units
Equipment acquired through capital leases is recorded at the lesser of fair market value or present value of future minimum lease payments.			
Buildings	\$	\$	\$ 7,871
Equipment	8,761	2,732	14,183
Total	8,761	2,732	22,054
Less: Accumulated Amortization	(2,614)		(13,574)
Total, Net of Amortization	\$ 6,147	\$ 2,732	\$ 8,480

Future minimum rental commitments for capitalizable leases as of June 30, 1996, are as follows (Expressed in Thousands):

	Primary Government			Component Units		
	Long-term Obligations Account Group	Enterprise Funds	Internal Service Funds	University and College Funds	Proprietary Fund Types	Total
	1997	\$ 505	\$ 142	\$ 3,504	\$ 10,378	\$ 2,528
1998	268	113	2,270	9,696	2,416	14,763
1999	163	92	990	9,044	2,576	12,865
2000	77		10	8,666	2,515	11,268
2001	20			8,156	2,509	10,685
Thereafter	3			82,872	17,964	100,839
Totals	1,036	347	6,774	128,812	30,508	167,477
Less: Amounts representing Interest (2.71% to 19.75%)	111	32	458	42,974	8,891	52,466
Present value of future minimum lease payments	\$ 925	\$ 315	\$ 6,316	\$ 85,838	\$ 21,617	\$ 115,011

notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Changes in leases payable accounted for in the general long-term obligation account group for the year ended June 30, 1996, are summarized in Note 15.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

Note 11

RISK MANAGEMENT

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

Fire and Tornado Insurance:

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$300,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$1,975,372 reported in the Program at June 30, 1996, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1996 and 1995 were:

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	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 2,469,347	\$ 1,158,539
Incurred Claims	1,216,746	1,873,748
Changes in Estimates		
Claim Payments	(1,710,721)	(562,940)
Balance at Fiscal Year End	<u>\$ 1,975,372</u>	<u>\$ 2,469,347</u>

Self Insured Workers' Compensation:

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000. Settled claims have not exceeded commercial insurance coverage for the past three fiscal years.

The actuarial determined aggregate claims liability of \$45,761,694 reported in the Program at June 30, 1996, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in fiscal 1996 and 1995 were:

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 38,254,301	\$ 35,358,972
Claims and Claims Adjustments Incurred	14,708,992	12,727,235
Changes in Estimates	4,077,603	910,927
Claims and Claims Adjustment Payments	(11,279,202)	(10,742,833)
Balance at Fiscal Year End	<u>\$ 45,761,694</u>	<u>\$ 38,254,301</u>

Transportation Cabinet Workers' Compensation:

The Transportation Cabinet's Self-Insured Worker's Compensation Trust Program (the "Program") was organized on July 1, 1993, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the Program. The aggregate claims liability is based on an actuarial study, dated June 30, 1996.

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 19,928,581	\$ 20,767,791
Claims and Claims Adjustments Incurred	6,252,203	3,318,319
Changes in Estimates		
Claims and Claims Adjustment Payments	(4,648,493)	(4,157,529)
Balance at Fiscal Year End	<u>\$ 21,532,291</u>	<u>\$ 19,928,581</u>

Note 12

RISK POOLS

The Commonwealth's risk pools, which are reported as enterprise funds, are the Insurance Administration Fund and the Grain Insurance Fund. The Insurance Administration Fund includes the operations of five risk pools, as follows: Kentucky Kare, Workers' Compensation Insurance, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Fund is reported as part of the primary government. The Grain Insurance Fund is a risk pool reported as a discrete component unit.

Risk Pools - Enterprise Funds

Kentucky Kare:

Kentucky Kare is a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65 of the Kentucky Retirement Systems. This plan is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review.

As of June 30, 1996, the number of employees, retirees, and former employees electing COBRA extension of benefits were as follows: State employees, retirees, and former employees of 11,705; local board of education employees of 17,931; and local health department employees of 3,516.

Monthly premiums are established by the Commonwealth. They vary by the benefit coverage and the dependent status (single, family, or single parent). The plan offers five levels of coverage: Kentucky Kare Budget High, Kentucky Kare Economy Low, Kentucky Kare Enhanced High, Kentucky Kare Standard High, and Kentucky Kare Standard Low. Preventive dental care is an optional rider to the plans.

Estimates of the liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined using the development method. This method uses past observed patterns of the time between claim incurral and payment to estimate incurred claims from available paid claims information. Liabilities are based on the estimated ultimate cost of settling the claims,

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including the effects of inflation and other societal and economic factors. Claim adjustment expense is included in the administrative fee paid to the third party administrator.

In October 1993, a refund to the Commonwealth of Kentucky of excess premiums from another insurance carrier in the amount of \$3,142,244 was erroneously deposited in the Kentucky Kare Insurance Trust Fund. In August 1996, this amount was transferred to an Agency Fund, along with accrued interest totalling \$66,331, for FY 94, and \$176,238 for FY 95, and held until proper disposition of the moneys can be determined.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related claims' adjustments. The following represents changes in this liability for the Plan during the past two years:

	Fiscal Year 1996	Fiscal Year 1995
Beginning Unpaid Claims Liability	\$ 26,203,068	\$ 18,859,577
Claims Incurred:		
Current Year	131,132,064	144,479,254
Increase (Decrease) In Prior Years	(2,107,340)	664,999
Total Incurred Claims	129,024,724	145,144,253
Claims Paid:		
Current Year	110,926,514	116,760,772
Prior	25,014,572	21,039,990
Total Payments	135,941,086	137,800,762
Ending Unpaid Claims	\$ 19,286,706	\$ 26,203,068

Workers' Compensation Insurance:

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers pre-existing conditions to protect employers from having to pay for injuries not sustained in their employ, or more than once for disabilities resulting from the same accident. This program encourages re-employment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,241,062,122, as reported in the financial statements, is the present value of the aggregate actuarial determined claims liability of \$2,618,329,063, discounted at 6.5%, and the net of the estimated realizable value of reimbursements. The estimated realizable value of these reimbursements at June 30, 1996, is \$11,000,000. The claims adjusted liability of \$57,000,000, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$116,000,000, discounted at 6.5%.

The actuarial determined liabilities described above arise from projections included in an actuarial report dated October 2, 1996, and include claims projected through December 31, 1996. Changes in the program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 1,874,253,961	\$ 1,879,604,735
Claims and Claims Adjustments Incurred	200,613,923	200,003,080
Changes in Estimates	793,708,099	(66,637,427)
Claims and Claims Adjustment Payments	(134,246,920)	(138,716,427)
Balance at Fiscal Year End	\$ 2,734,329,063	\$ 1,874,253,961

Petroleum Storage Tank Environmental Assurance Program:

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. However, pursuant to an Executive Order issued by the Governor effective April 19, 1996, the Fund was moved from the Natural Resources and Environmental Protection Cabinet to the Public Protection and Regulation Cabinet. The purpose of the Fund is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. The Fund is funded by a fee paid by dealers on each gallon of gasoline and special fuels received in the State at a rate of one and four-tenths (\$.014) cents per gallon.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles which are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$312,295,772 reported in the financial statements, is the aggregate actuarial determined claims liability and is not discounted. Changes in the Fund's aggregate liabilities for claims and claims adjustment for the past two years are:

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	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 400,459,774	\$ 400,000,000
Claims and Claims Adjustments Incurred	42,529,660	36,897,354
Changes in Estimates	(101,528,000)	(25,667,676)
Claims and Claims Adjustment Payments	(17,048,586)	(10,769,904)
Balance at Fiscal Year End	<u>\$ 324,412,848</u>	<u>\$ 400,459,774</u>

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 3,177,682	\$ 2,853,042
Claims and Claims Adjustments Incurred	261,812	319,640
Changes in Estimates		
Claims and Claims Adjustment Payments		5,000
Balance at Fiscal Year End	<u>\$ 3,439,494</u>	<u>\$ 3,177,682</u>

Bond Pool:

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and prospective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These standards, used to evaluate potential Bond Pool members, considers factors such as the mining experience, reclamation history, and financial condition of the applicant.

Accepted members are rated by the Commission based on the standards considered in the application process. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended, for members who have participated in the Program for 36 months, when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation cost that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$2,625,568 as reported in the financial statements, is the aggregate actuarial determined claims liability. The claims adjustment liability of \$813,926 is the actuarial determined aggregate liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

Mine Subsidence Insurance:

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the State, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program and the insurer is required to cede this coverage to the Program. The insurer may refuse to provide coverage where pre-existing damage is determined to exist. The Program provides coverage subject to a deductible of 2% of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

The claims liability of \$25,000 reported in the Program at June 30, 1996, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1996 and 1995 were:

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$ 25,000	\$ 184,000
Claims and Claims Adjustments Incurred		25,000
Changes in Estimates		(145,485)
Claim and Claims Adjustment Payments		(38,515)
Balance at Fiscal Year End	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Risk Pools - Component Units

Grain Insurance:

The Grain Insurance Program is established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or grain warehousemen. The Program is funded by a half cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

The claims liability of \$277,177 reported in the Fund at June 30, 1996, is based on the requirements of GASB 10, which states that a liability for claims be reported, if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1996 and 1995 were:

	Fiscal Year 1996	Fiscal Year 1995
Beginning of Fiscal Year Liability	\$	\$
Claims and Claims Adjustments Incurred	277,177	79,000
Changes in Estimates		
Claims and Claims Adjustment Payments		(79,000)
Balance at Fiscal Year End	\$ 277,177	\$

Note 13

DEFEASANCE OF LONG-TERM DEBT

The State Property and Buildings Commission issued \$39,900,000 Revenue and Refunding Bonds, Project 57, dated August 1, 1995. The net proceeds of this issue were \$39,100,491 after discounts and issuance costs of \$799,509. \$15,000,000 of the proceeds were used to finance new projects. The remaining \$24,100,491 along with \$3,075,747 from the Debt Service Reserve Fund and \$509,396 of other available funds were placed in an escrow account with the trustee to refund the Project 27 Revenue Bonds, dated October 1, 1986 and maturing May 1, 1996 through May 1, 2009. The money will be invested in certain direct obligations of the United States of America, which will earn interest at such rates and mature on such dates so as to provide sufficient funds, together with any cash held uninvested in the escrow fund, to pay the interest of the Refunded Bonds as same becomes due, the principal of the Refunded Bonds at maturity and the redemption price of the Refunded Bonds subject to redemption prior to maturity.

The Refunding Bonds mature November 1, 1995 through November 1, 2015 and carry interest rates of 3.600% to 6.000%. The net savings (reduction in cash flow) for the Refunding Bonds will be \$2,847,589. The present value of the savings is \$1,555,142 at a rate of 5.956%.

The State Property and Buildings Commission issued \$7,625,000 Revenue Refunding Bonds, Project 58, dated August 1, 1995. The net proceeds of this issue were \$7,494,189 after discounts and issuance costs of \$130,811. The net proceeds were placed in an escrow account with the trustee to refund the Project 47 Revenue Bonds and Project 39 (third series) Revenue Bonds. These bonds mature February 1, 1996 through February 1, 2008. The money will be invested in certain direct obligations of the United States of America, which will earn interest at such rates and mature on such dates so as to provide sufficient funds, together with any cash held uninvested in the escrow fund, to pay the interest of the Refunded Bonds as same becomes due, the principal of the Refunded Bonds at maturity and the redemption price of the Refunded Bonds subject to redemption prior to maturity.

The Refunding Bonds mature November 1, 1995 through November 1, 2007 and carry interest rates of 5.700% to 7.000%. The net savings (reduction in cash flow) for the Refunding Bonds will be \$547,760. The present value of the savings is \$345,216 at a rate of 5.058%.

The State Property and Buildings Commission issued \$261,250,000 Revenue and Revenue Refunding Bonds, Project 59, dated November 1, 1995. The net proceeds of this issue were \$264,080,621 after premiums, discounts and issuance costs of \$2,830,621. \$155,184,150 of the proceeds were used to finance new projects. The remaining \$108,896,471 was placed in an escrow account with the trustee to refund Project 52, Project 51, Project 50, Project 49, Project 34 (second series), Project 48, and Project 40 Revenue Bonds. The money will be invested in certain direct obligations of the United States of America, which will earn interest at such rates and mature on such dates so as to provide sufficient funds, together with any cash held uninvested in the escrow fund, to pay the interest of the Refunded Bonds as same becomes due, the principal of the Refunded Bonds at maturity and the redemption price of the Refunded Bonds subject to redemption prior to maturity.

The Refunding Bonds mature May 1, 1996 through November 1, 2015 and carry interest rates of 4.200% to 6.750%. The net savings (reduction in cash flow) for the Refunding Bonds will be \$1,376,312. The present value of the savings is \$1,253,048 at a rate of 5.354%.

The Kentucky School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities.

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The Commission participates in the payment of debt service for qualifying districts. During the fiscal year ended June 30, 1996, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated July 1, 1995, were issued for the Warren County School District Finance Corporation to refund a portion of 1987 and 1989 issues. The Commission's portion of the refunding issue was \$9,046,265 maturing February 1, 1996 through August 1, 2008, and carrying interest rates from 3.50% to 5.20%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. Net savings to the Commission is \$726,085 and the present value of the savings is \$406,666 at a rate of 5.14%.

Revenue refunding bonds dated August 1, 1995, were issued for the Estill County School District Finance Corporation to refund a 1983 issue and a portion of a 1987 issue. The Commission's portion of the refunding issue was \$488,788 maturing August 1, 1996 through August 1, 2007, and carrying interest rates from 4.00% to 5.00%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net saving to the Commission is \$50,156 and the present value of the savings is \$38,110 at a rate of 5.0117%.

Revenue refunding bonds dated October 1, 1995, were issued for the Laurel County School District Finance Corporation to refund a portion of a 1987 issue and a portion of a 1989 issue. The Commission's portion of the refunding issue was \$412,663 maturing August 1, 1996 through August 1, 2008, and carrying interest rates from 4.40% to 4.60%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. Net savings to the Commission is \$51,131 and the present value of the savings is \$38,139 at a rate of 4.5935%.

Revenue refunding bonds dated October 1, 1995, were issued for the Powell County School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$1,446,151 maturing June 1, 1996 through June 1, 2007, and carrying interest rates from 4.50% to 4.60%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission is \$127,125 and the present value of the savings is \$103,574 at a rate of 4.5996%.

Revenue refunding bonds dated November 1, 1995, were issued for the Henderson County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$2,411,996 maturing April 1, 1996 through April 1, 2009, and carrying interest rates from 4.40% to 4.75%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net

savings to the Commission is \$155,200 and the present value of the savings is \$120,044 at a rate of 4.7085%.

Revenue refunding bonds dated November 1, 1995, were issued for the Montgomery County School District Finance Corporation to refund a portion of 1988 and 1989 issues. The Commission's portion of the refunding issue was \$2,050,000 maturing April 1, 1996 through April 1, 2009, and carrying interest rates from 4.00% to 4.95%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 and 1989 issues being refunded. Net savings to the Commission is \$175,085 and the present value of the savings is \$134,261 at a rate of 4.8140%.

Revenue refunding bonds dated December 15, 1995, were issued for the Fayette County School District Finance Corporation to refund portions of a September 1987, June 1988, August 1988, June 1989 and October 1990 issues. The Commission's portion of the refunding issue was \$14,025,599 maturing April 1, 1996 through October 1, 2010, and carrying interest rates from 4.50% to 5.25%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the issues being refunded. Net savings to the Commission is \$1,274,129 and the present value of the savings is \$781,157 at a rate of 5.1910%.

Revenue refunding bonds dated January 1, 1996, were issued for the Green County School District Finance Corporation to refund a portion of a 1989 issue. The Commission's portion of the refunding issue was \$1,580,648 maturing May 1, 1996 through May 1, 2009, and carrying interest rates from 4.00% to 4.90%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission is \$137,487 and the present value of the savings is \$106,635 at a rate of 4.5500%.

Revenue refunding bonds dated February 1, 1996, were issued for the Carlisle County School District Finance Corporation to refund a portion of a 1988 issue. The Commission's portion of the refunding issue was \$628,866 maturing May 1, 1996 through May 1, 2008, and carrying interest rates from 3.70% to 4.55%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission is \$51,773 and the present value of the savings is \$41,671 at a rate of 4.3642%.

Revenue refunding bonds dated February 1, 1996, were issued for the Butler County School District Finance Corporation to refund a portion of a 1990 issue. The Commission's portion of the refunding issue was \$1,413,988 maturing May 1, 1996 through May 1, 2010, and carrying interest rates from 3.80% to 4.90%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being

refunded. Net savings to the Commission is \$94,985 and the present value of the savings is \$72,404 at a rate of 4.7100%.

Revenue refunding bonds dated February 1, 1996, were issued for the Harrodsburg Independent School District Finance Corporation to refund a portion of a 1989 issue. The Commission's portion of the refunding issue was \$266,128 maturing April 1, 1996 through April 1, 2009, and carrying interest rates from 3.00% to 4.55%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission is \$14,848 and the present value of the savings is \$11,654 at a rate of 4.5412%.

Revenue refunding bonds dated March 1, 1996, were issued for the Cumberland County School District Finance Corporation to refund a portion of a 1986 issue. The Commission's portion of the refunding issue was \$706,335 maturing June 1, 1996 through December 1, 2006, and carrying interest rates from 3.50% to 4.20%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 issue being refunded. Net savings to the Commission is \$60,256 and the present value of the savings is \$48,500 at a rate of 4.1399%.

Revenue refunding bonds dated May 15, 1996, were issued for the Jessamine County School District Finance Corporation to refund a portion of a 1986 issue. The Commission's portion of the refunding issue was \$940,000 maturing June 1, 1997 through June 1, 2006, and carrying interest rates from 3.80% to 5.10%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 issue being refunded. Net savings to the Commission is \$91,562 and the present value of the savings is \$87,292 at a rate of 4.8900%.

Revenue refunding bonds dated June 1, 1996, were issued for the Bullitt County School District Finance Corporation to refund a portion of a 1986 issue. The Commission's portion of the refunding issue was \$1,525,000 maturing June 1, 1997 through June 1, 2006, and carrying interest rates from 4.00% to 4.70%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 issue being refunded. Net savings to the Commission is \$117,413 and the present value of the savings is \$112,308 at a rate of 4.5400%.

Revenue refunding bonds dated June 1, 1996, were issued for the Paris Independent School District Finance Corporation to refund a portion of a 1989 issue. The Commission's portion of the refunding issue was \$810,000 maturing September 1, 1996 through March 1, 2010, and carrying interest rates from 4.00% to 5.25%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission is \$55,327 and the present value of the savings is \$36,844 at a rate of 5.4593%.

Revenue refunding bonds dated June 1, 1996 were issued for the Scott County School District Finance Corporation to refund a portion of a 1987 issue. The Commission's portion of the refunding issue was \$1,415,000 maturing August 1, 1996 through August 1, 2007, and carrying interest rates from 4.30% to 5.00%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission is \$102,023 and the present value of the savings is \$75,025 at a rate of 4.9742%.

Revenue refunding bonds dated June 1, 1996, were issued for the Logan County School District Finance Corporation to refund a portion of a 1988 issue. The Commission's portion of the refunding issue was \$1,405,000 maturing February 1, 1997 through February 1, 2008, and carrying interest rates from 4.00% to 5.00%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission is \$102,607 and the present value of the savings is \$81,542 at a rate of 5.0149%.

COMPONENT UNITS

Eastern Kentucky University issued \$8,615,000 Consolidated Educational Buildings Refunding Revenue Bonds, Series R, dated August 1, 1995, to refund in advance of maturity all Series M Bonds maturing on and after May 1, 1998. The net proceeds of \$8,442,143, after discounts and issuance cost of \$172,857, were deposited with an escrow agent. The net savings to the University is \$566,499 and the present value of the savings is \$439,153 at a rate of 4.96%.

Note 14

RELATED ORGANIZATIONS

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the State's financial statements. They are the East Kentucky Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

Note 15

LONG-TERM OBLIGATIONS

General Obligation bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 1996.

Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring State appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such "municipal debt," whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in daily activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide "debt service," principal and interest payments, on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of "State" debt and the "burden" of that debt on State resources.

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The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 1996, are as follows (Expressed in Thousands):

General Long-Term Obligations Account Group	Principal Outstanding	Interest Rate	Annual Maturity To
Agency: State Property & Buildings Commission	\$ 1,158,556	2.4%-9.84%	2018
Turnpike Auth. of Kentucky	1,467,349	3.5%-9.7%	2015
Kentucky School Facilities Construction Commission	\$ 1,266,375		
Less: Local school district participation	<u>757,938</u>	2.2% - 8.25%	2016
Total	<u>\$ 3,134,342</u>		

Future revenue bond debt service requirements, to be paid with State funds, at June 30, 1996, are as follows (Expressed in Thousands):

Year Ending June 30,	Principal	Interest	Totals
1997	\$ 161,414	\$ 172,145	\$ 333,559
1998	175,661	167,600	343,261
1999	187,540	157,865	345,405
2000	198,049	146,845	344,894
2001	187,886	146,382	334,268
Thereafter	<u>2,223,792</u>	<u>994,911</u>	<u>3,218,703</u>
	<u>\$ 3,134,342</u>	<u>\$ 1,785,748</u>	<u>\$ 4,920,090</u>

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Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation*	\$ 857,784	3.625%-9.875%	2028
Kentucky Infrastructure Authority*	197,200	3.9%-8.4%	2018
Kentucky Higher Education Student Loan Corporation	307,640	3.9%-9.25%	2012
Kentucky Local Correctional Facilities Construction Authority*	42,225	3.75%-5.50%	2014
Kentucky Economic Development Finance Authority	91,312	5.4%	1999
University of Kentucky	332,279	2.5%-8.45%	2024
University of Louisville	155,850	3.0%-7.7%	2016
Eastern Kentucky University	67,090	3.0%-6.6%	2011
Western Kentucky University	57,054	2.6%-7.4%	2012
Murray State University	27,160	2.4%-8.0%	2016
Morehead State University	34,325	2.875%-7.15%	2014
Kentucky State University	23,115	3.0%-9.0%	2014
Northern Kentucky University	56,715	3.0%-8.3%	2021
Total Component Unit Revenue Bonds Payable	\$ 2,249,749		

*Amounts do not include unamortized premiums, discounts, or deferred loss or early retirement of debt.

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units, at June 30, 1996, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal	Interest	Totals
1997	\$ 113,314	\$ 121,857	\$ 235,171
1998	109,434	118,673	228,107
1999	196,991	113,106	310,097
2000	120,051	102,307	222,358
2001	110,400	96,468	206,868
Thereafter	1,599,559	803,147	2,402,706
	<u>\$ 2,249,749</u>	<u>\$ 1,355,558</u>	<u>\$ 3,605,307</u>

During the fiscal year ended June 30, 1996, the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

Kentucky State Property and Buildings Commission

The State Property and Buildings Commission is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of the Finance and Administration Cabinet, Secretary of the Revenue Cabinet, and Secretary of the Economic Development (formerly Commerce) Cabinet. The Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction and equipping of buildings for the occupancy and/or use of said agencies.

During the fiscal year ended June 30, 1996, the Commission issued \$308,775,000 in revenue and revenue refunding bonds as follows:

\$39,900,000 (Project 57) in serial bonds maturing each November 1, 1995 through 2015 at 4.0% to 5.5%;

\$7,625,000 (Project 58) in serial bonds maturing each November 1, 1995 through 2007 at 5.7% to 7.0%; and

\$261,250,000 (Project 59) in serial bonds maturing each May and November 1, 1996 through 2015 at 4.5% and 6.75%.

Turnpike Authority of Kentucky

The Turnpike Authority of Kentucky was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of Transportation, Commissioner of Highways, State

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Highway Engineer, and Secretary of Economic Development. The Secretary of the Finance and Administration Cabinet currently serves as the Authority's Treasurer.

The Authority issued no bonds during the fiscal year ended June 30, 1996.

State Universities

The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

During the fiscal year ended June 30, 1996, state supported universities issued \$22,770,000 in revenue and refunding revenue bonds as follows:

\$12,015,000, University of Kentucky, Consolidated Educational Buildings Revenue Bonds, Series O, with \$7,500,000 in serial bonds maturing each May 1, 1996 through 2006, and 2011 through 2013 at 5.0% and 5.7%; term maturities include \$2,665,000 due May 1, 2010 at 5.6%; and \$1,850,000 due May 1, 2015 at 5.75%;

\$2,140,000, University of Kentucky, Housing and Dining System Revenue Bonds, Series P, maturing serially each June 1, 1997 through 2016 at 4.85% to 5.3%; and

\$8,615,000, Eastern Kentucky University, Consolidated Educational Buildings Refunding Revenue Bonds, Series R, maturing serially each May 1, 1996 through 2007 at 4.8% to 4.875%.

Kentucky Housing Corporation

The Housing Corporation, established in 1972 under KRS Chapter 198A, is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors comprised of the Secretary of the Finance and Administration Cabinet, Commissioner of the Department of Local Government, Secretary of the Revenue Cabinet, Attorney General, Secretary of the Economic Development Cabinet, Lieutenant Governor, and eight additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$1.125 billion total maximum principal value of debt outstanding.

During the fiscal year ended June 30, 1996, the Corporation issued or remarketed \$134,220,000 in Housing Revenue Bonds, as follows:

\$6,365,000, 1995 Series F, a refunding issue, with \$4,120,000 in serial bonds maturing each January and July 1, 2000 through 2008, at 4.35% to 5.4%, and \$2,245,000 in term bonds due July 1, 2017, at 5.95%;

\$18,635,000, 1995 Series G, with approximately \$2,800,000 applied to refunding Prior Bonds of the Corporation. A total of \$1,030,000 in serial bonds mature each January and July 1, 1997 through 1999, at 4.2% to 4.5%, and term maturities include \$4,515,000 due January 1, 2015, at 6.125%, \$7,640,000 due January 1, 2024, at 5.625% and \$5,450,000 due July 1, 2027, at 6.25% (not reoffered);

\$1,560,000, 1995 Series H, a refunding issue, with \$195,000 in serial bonds due July 1, 2005, at 4.9% and \$1,365,000 in term bonds due July 1, 2017, at 5.7%.

\$30,490,000, 1995 Series I, with approximately \$18,740,000 applied to refunding Prior Bonds of the Corporation. A total of \$6,335,000 in serial bonds mature each January and July 1, 1997 through 2008, at 4.0% to 5.45%, and term maturities include \$6,365,000 due July 1, 2016 at 5.8% and \$17,790,000 due July 1, 2027 at 5.85%;

\$7,000,000, 1995 Series E, a remarketed issue, with \$1,195,000 in serial bonds maturing each July 1, 1997 through 2005, at 4.0% to 5.05%, and July 1, 2008 at 5.45%. Term maturities include \$1,565,000 due July 1, 2015 at 5.8% and \$4,240,000 due July 1, 2026 at 5.85 (not reoffered). A portion of the Series I proceeds applies to refunding the remainder of 1995 Series E;

\$50,000,000, 1996 Series A, with approximately \$9,305,000 applied to refunding Prior Bonds of the Corporation. A total of \$8,645,000 in serial bonds mature each January and July 1, 1998 through 2008 at 4.40% to 5.85%, and term maturities include \$9,125,000 due July 1, 2015, at 6.25%, \$12,000,000 due July 1, 2028, at 6.375% (not reoffered), and \$20,230,000 due July 1, 2028 at 6.375%;

\$9,325,000, 1996 Series B, a refunding issue, bearing 3.65% per annum interest to the Tender Date as described below; and

\$10,845,000, 1996 Series C, bearing 3.7% annum interest to the Tender Date as described below.

Series B and C above are subject to mandatory tender on December 18, 1996, unless the Corporation designates any Business Day on or after October 1, 1996 and prior to December 18, 1996 as the Tender Date with respect to all or a portion of the Offered Bonds.

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Kentucky Infrastructure Authority

The Authority was created by House Bill 217, passed into law during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies in the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

During the fiscal year ended June 30, 1996, the Authority issued \$18,550,000 in revenue bonds as follows:

\$15,455,000, Wastewater Revolving Fund Program Revenue Bonds, 1995 Series D, with \$13,155,000 in serial bonds maturing each June 1, 1996 through 2013, at 3.8% to 5.5%, and term bonds of \$2,300,000 due June 1, 2015, at 5.75%;

\$2,175,000, Solid Waste Revolving Fund Program Revenue Bonds, 1995, Series C, with \$1,735,000 in serial bonds maturing each June 1, 2003 through 2013, at 4.75% to 5.5%, and \$440,000 in term bonds due June 1, 2015, at 5.9%; and

\$920,000, Solid Waste Fund Program Revenue Bonds, 1995 Series K Taxable, in serial bonds maturing each June 1, 1996 through 2002, at 6.2% to 6.8%.

Kentucky Higher Education Student Loan Corporation

The Corporation is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public. The Corporation is limited to a maximum principal debt outstanding of \$553 million.

During the fiscal year ended June 30, 1996, the Corporation issued \$15,980,000, Insured Student Loan Revenue Bonds, as follows:

\$12,230,000, 1995 Series A, maturing serially each June 1, 1997 through 1999, at 4.2% to 4.6%, December 1, 1999, at 4.6%, June 1, 2000, at 4.7%, and June 1, 2002, at 4.9%;

\$750,000, 1995 Series B, due June 1, 2003, at 5.15%; and

\$3,000,000, 1995 Series C, due June 1, 2003, at 5.45%.

All proceeds of Series A, B, and C above are to be applied to refunding Prior Bonds of the Corporation.

Kentucky Local Correctional Facilities Construction Authority

The Authority is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The Authority issued no bonds during the year ended June 30, 1996.

Kentucky School Facilities Construction Commission

By act of the 1985 Extraordinary Session of the General Assembly, the Kentucky School Facilities Construction Commission (KSFCC) was created as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of KSBA, including refunding of then existing KSBA debt.

The Commission is an independent corporate agency and instrumentality of the Commonwealth established by Act of the 1985 Extraordinary Session of the General Assembly, now codified as KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 1996, KSFCC sold fifty-two (52) school building revenue and revenue refunding bond issues having aggregate state participation of \$56,466,935 maturing through June 1, 2016, at interest rates of 3.0% to 5.9%. These bonds fund construction and renovation projects in county and independent school districts throughout the Commonwealth.

Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 1996, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1996. Copies of this report are available from the Division of Accounts, Financial Reporting Branch, 483 Capitol Annex, Frankfort, Kentucky 40601.

Kentucky Agricultural Finance Corporation

The Kentucky Agricultural Finance Corporation is a public corporation and governmental agency of the Commonwealth estab-

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lished by Act of the 1984 General Assembly for the purpose of “improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures.” The Authority’s bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority’s debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general purpose financial statements.

The Authority issued no bonds during the year ended June 30, 1996.

Kentucky Economic Development Finance Authority

The Kentucky Economic Development Finance Authority (KEDFA) established in 1958 under KRS Chapter 154, is an independent agency of State Government which operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no revenue bonds that constitute a legal obligation of the Commonwealth during the fiscal year ended June 30, 1996.

During this same reporting period, KEDFA did issue \$17,735,860 in Industrial Revenue Bonds which do not constitute a general debt, liability, or moral obligation of the Commonwealth. Accordingly, these general purpose financial statements do not include any assets or liabilities related to the issuance of these bonds.

NOTES PAYABLE:

At June 30, 1996, the following entities had notes payable as follows:

Kentucky Lottery Corporation

On May 27, 1993, the Corporation borrowed \$9,500,000 to refinance the remaining balances of two loans, \$6,500,000 and \$3,000,000, which were originally incurred in April 1991 and October 1989, respectively. The terms of the loans require quarterly principal payments of \$500,000 with an annual interest of 3.46%. The remaining balance of \$500,000 will be paid during the year ended June 30, 1997 and has been recorded as current in the balance sheet as of June 30, 1996.

Kentucky Center for the Arts Corporation

The Corporation has a \$50,000, non-interest bearing note with scheduled principal payments of \$25,000 in each of the next two fiscal years.

Universities

The University of Kentucky Healthcare Collection Service, borrowed \$105,000 from University of Kentucky Hospital for a computer system upgrade to assist its collection process. The \$98,000

balance on this non-interest bearing note is payable in monthly installments of \$1,750 which retire principal of \$21,000 during fiscal years 1997 through 2000, and \$14,000 during fiscal year 2001.

Morehead State University reported a \$558,705 note payable to a company repayable in monthly installments of \$4,904, plus interest at prime (currently 8.75%), to December, 2005.

The College Heights Foundation, reported a \$45,317 note payable to Ogden College Foundation due in monthly installments of \$11,853, including interest at 8.625%, and secured by real estate under capital lease to Western Kentucky University. The note matures during fiscal year 1997.

Northern Kentucky University reported \$1,285,000 in notes payable for various installment purchase contracts to acquire property and equipment, to include \$379,512 during fiscal 1996. Payments, including interest, through June 30, 2001, total \$1,438,000.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Future debt service requirements for aggregate Notes Payable at June 30, 1996, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal		Interest		Totals
1997	\$	1,050	\$	118	\$ 1,168
1998		385		87	472
1999		378		64	442
2000		309		40	349
2001		106		27	133
Thereafter		264		53	317
	\$	<u>2,492</u>	\$	<u>389</u>	\$ <u>2,881</u>

Changes in General Long-Term Obligations

Changes in general long-term obligations (Expressed in Thousands) for the fiscal year ended June 30, 1996, are summarized as follows:

	Compensated Absences	Capital Leases	State Supported Revenue Bonds	Judgements & Contingent Liabilities	Unfunded Employer Pension Contributions	Totals
Balance at June 30, 1995	\$ 157,830	\$ 1,296	\$ 3,133,332	\$ 148,014	\$ 127,483	\$ 3,567,955
Obligations Incurred	120,659	350	365,242	332,576	10,713	829,540
Obligations Retired	<u>(107,740)</u>	<u>(721)</u>	<u>(364,232)</u>	<u>(33,077)</u>		<u>(505,770)</u>
Balance at June 30, 1996	<u>\$ 170,749</u>	<u>\$ 925</u>	<u>\$ 3,134,342</u>	<u>\$ 447,513</u>	<u>\$ 138,196</u>	<u>\$ 3,891,725</u>

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Note 16

SEGMENT INFORMATION

Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 1996, is presented below (Expressed in Thousands):

**Primary Government
Enterprise Funds**

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals
	Recreation and Lodging	Lottery Operations	Light Industry	Equine Museum	Insurance	
Goods and Services Provided						
Operating Revenues	\$ 42,663	\$ 542,845	\$ 1,708	\$ 3,928	\$ 322,640	\$ 913,784
Depreciation and Amortization Expense	4,311	4,277	40	956	548	10,132
Operating Income (Loss)	(41,785)	151,552	(691)	(2,494)	(147,238)	(40,656)
Income (Loss) Before Operating Transfers and Extraordinary Item	(41,770)	153,515	(691)	(2,500)	(143,554)	(35,000)
Operating Transfers:						
In	40,637		862	1,430	1,230	44,159
Out	(927)	(147,000)			(4,169)	(152,096)
Net Income (Loss)	(2,060)	6,515	171	(1,070)	(146,493)	(142,937)
Current Contributed Capital: Contributions	18,733			303		19,036
Fixed Assets:						
Additions	15,770	1,818	10	227	820	18,645
Deletions	205	399	18	14	102	738
Net Working Capital	5,612	16,076	456	502	(52,582)	(29,936)
Total Assets	111,381	355,457	1,103	15,798	568,125	1,051,864
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue and Operating Transfers-in	3,067	324,727	22	158	1,467,252	1,795,226
Total Equity	102,498	23,292	1,000	15,092	(1,097,044)	(955,162)

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

**CONDENSED STATEMENT
INFORMATION**

**Condensed Statement Information
for the Commonwealth's Discretely
Presented Component Units.
(Expressed in Thousands)**

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
	Facility Management	Facility Management	Educational Television Programming	Debt Issuance	Insuring Student Loans
Goods and Services Provided					
Assets					
Current Assets	\$ 5,556	\$ 1,435	\$ 4,359	\$ 11,181	\$ 28,078
Property, Plant and Equipment (net)	114,908	24,266	10,838	153	1,955
Other Assets	2,074	933	5,930	190,682	35,331
Total Assets	<u>\$ 122,538</u>	<u>\$ 26,634</u>	<u>\$ 21,127</u>	<u>\$ 202,016</u>	<u>\$ 65,364</u>
Liabilities					
Current Liabilities	\$ 4,077	\$ 1,405	\$ 5,290	\$ 1,363	\$ 15,233
Other Liabilities		153	20,369		1,598
Revenue Bonds				91,312	
Total Liabilities	<u>4,077</u>	<u>1,558</u>	<u>25,659</u>	<u>92,675</u>	<u>16,831</u>
Fund Equity					
Contributed Capital	74,748	21,442			
Retained Earnings:					
Reserved for Revenue					
Bond Retirement				45,173	42,525
Unreserved	43,713	3,634	(4,532)	64,168	6,008
Total Equity	118,461	25,076	(4,532)	109,341	48,533
Total Liabilities and Equity	<u>\$ 122,538</u>	<u>\$ 26,634</u>	<u>\$ 21,127</u>	<u>\$ 202,016</u>	<u>\$ 65,364</u>
Operating Revenues	\$ 25,192	\$ 3,175	\$ 3,283	\$ 11,408	\$ 10,576
Operating Expenses:					
Operating and Other Expenses	24,039	6,466	17,955	6,077	39,326
Depreciation & Amortization	4,811	1,179	3,318	268	537
Operating Income (loss)	<u>(3,658)</u>	<u>(4,470)</u>	<u>(17,990)</u>	<u>5,063</u>	<u>(29,287)</u>
Nonoperating Revenues (expenses)	770	2,846	(503)		385
Transfers:					
From Primary Government	707	1,541	16,320		28,688
From Component Units					1,500
To Primary Government	(371)		(16)		(494)
To Component Units					
Net Income (Loss)	(2,552)	(83)	(2,189)	5,063	(1,208)
Depreciation on Fixed Assets					
Acquired by Capital Grants	4,131	789			
Retained Earnings - July 1, 1995	42,134	2,928	(2,343)	104,278	49,741
Retained Earnings - June 30, 1996	<u>\$ 43,713</u>	<u>\$ 3,634</u>	<u>\$ (4,532)</u>	<u>\$ 109,341</u>	<u>\$ 48,533</u>

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals
Student Loans	Investment Management	Debt Issuance	Debt Issuance	Debt Issuance	Insurance/Grain Warehousemen Bond	Debt Issuance	
\$ 56,147	\$ 343	\$ 254,429	\$ 85,077	\$ 267	\$ 1,791	\$ 9,130	\$ 457,793
1,218		14,276					167,614
305,617	4,251	811,443	259,093	246	2,593	9,283	1,627,476
<u>\$ 362,982</u>	<u>\$ 4,594</u>	<u>\$ 1,080,148</u>	<u>\$ 344,170</u>	<u>\$ 513</u>	<u>\$ 4,384</u>	<u>\$ 18,413</u>	<u>\$ 2,252,883</u>
\$ 16,761	\$ 4,594	\$ 74,988	\$ 11,528	\$	\$ 307	\$ 1,775	\$ 137,321
299,730		816,074					1,137,924
			184,066			40,395	315,773
<u>316,491</u>	<u>4,594</u>	<u>891,062</u>	<u>195,594</u>		<u>\$ 307</u>	<u>42,170</u>	<u>1,591,018</u>
							96,190
40,457		151,001	148,576				427,732
6,034		38,085		513	4,077	(23,757)	137,943
46,491		189,086	148,576	513	4,077	(23,757)	661,865
<u>\$ 362,982</u>	<u>\$ 4,594</u>	<u>\$ 1,080,148</u>	<u>\$ 344,170</u>	<u>\$ 513</u>	<u>\$ 4,384</u>	<u>\$ 18,413</u>	<u>\$ 2,252,883</u>
\$ 32,823	\$	\$ 76,763	\$ 49,846	\$	\$ 311	\$ 4,830	\$ 218,207
25,806	494	64,532	15,596		283	829	201,403
1,040		1,473	324			62	13,012
<u>5,977</u>	<u>(494)</u>	<u>10,758</u>	<u>33,926</u>		<u>28</u>	<u>3,939</u>	<u>3,792</u>
		(82)		3		(1,713)	1,706
	494		10,537				56,287
							1,500
(1,500)							(881)
<u>4,477</u>		<u>10,676</u>	<u>44,463</u>	<u>3</u>	<u>28</u>	<u>2,226</u>	<u>(1,500)</u>
							60,904
							4,920
42,014		178,410	104,113	510	4,049	(25,983)	499,851
<u>\$ 46,491</u>	<u>\$</u>	<u>\$ 189,086</u>	<u>\$ 148,576</u>	<u>\$ 513</u>	<u>\$ 4,077</u>	<u>\$ (23,757)</u>	<u>\$ 565,675</u>

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

CONDENSED STATEMENT INFORMATION

Condensed Balance Sheet
University and College Funds
(Expressed in Thousands)

<u>ASSETS</u>	University of Kentucky	University of Louisville	Others	Totals
Cash and Cash Equivalents	\$ 166,833	\$ 25,213	\$ 74,686	\$ 266,732
Investments, Net of Amortization	424,537	160,634	122,432	707,603
Receivables, Net:				
State Agencies	671		4,730	5,401
Others	124,040	41,786	38,758	204,584
Interfund Receivables	39,818		11,869	51,687
Inventories	12,876	1,374	9,980	24,230
Land	26,139	20,967	17,836	64,942
Improvements Other Than Buildings	34,578		24,892	59,470
Buildings and Improvements	731,862	361,242	635,436	1,728,540
Machinery and Equipment	309,128	81,473	160,190	550,791
Library Books	74,377	46,574	90,065	211,016
Livestock			334	334
Construction in Progress	86,481		62,177	148,658
Other Assets	2,092	2,773	22,077	26,942
	<u>2,033,432</u>	<u>742,036</u>	<u>1,275,462</u>	<u>4,050,930</u>
Total Assets	<u>\$ 2,033,432</u>	<u>\$ 742,036</u>	<u>\$ 1,275,462</u>	<u>\$ 4,050,930</u>
 <u>LIABILITIES AND FUNDEQUITY</u> 				
Liabilities:				
Accounts Payable:				
State Agencies	\$ 4,265	\$	\$ 1,037	\$ 5,302
Others	28,853	28,067	8,713	65,633
Accrued Liabilities	41,845		15,174	57,019
Interfund Payables	39,818		11,869	51,687
Capital Lease Obligations	34,101	8,454	43,283	85,838
Notes Payable	98		1,844	1,942
Bonds Payable	332,279	155,850	265,459	753,588
Amounts Held in Custody for Others	438		3,254	3,692
Deposits and Advance Payments	137	15,860	1,120	17,117
Deferred Revenue	11,947	11,271	9,553	32,771
Other Liabilities	36,233	894	1,234	38,361
Total Liabilities	<u>530,014</u>	<u>220,396</u>	<u>362,540</u>	<u>1,112,950</u>
Fund Equity:				
Investment in Fixed Assets	907,874	352,143	682,013	1,942,030
Fund Balance:				
Reserved for:				
Encumbrances	1,508	6,459	3,978	11,945
Capital Outlay	62,141	11,522	86,502	160,165
Restricted Gifts, Grants, and Contracts	373,755	88,433	123,372	585,560
Unreserved:				
Designated for Universities and Colleges	158,140	63,083	17,057	238,280
Total Fund Equity	<u>1,503,418</u>	<u>521,640</u>	<u>912,922</u>	<u>2,937,980</u>
	<u>\$ 2,033,432</u>	<u>\$ 742,036</u>	<u>\$ 1,275,462</u>	<u>\$ 4,050,930</u>
Total Liabilities and Fund Equity	<u>\$ 2,033,432</u>	<u>\$ 742,036</u>	<u>\$ 1,275,462</u>	<u>\$ 4,050,930</u>

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Condensed Statement of Changes in Fund Balances
University and College Funds
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues and Other Additions	\$ 813,196	\$ 281,988	\$ 429,072	\$ 1,524,256
Total Expenditures and Other Deductions	1,031,032	376,808	606,873	2,014,713
Transfers from (to) Primary Government	353,767	158,050	239,542	751,359
Net Increase for Year	<u>135,931</u>	<u>63,230</u>	<u>61,741</u>	<u>260,902</u>
Fund Balance and Other Credits, Beginning, As Restated	1,367,487	458,410	851,181	2,677,078
Fund Balance and Other Credits, Ending	<u>\$ 1,503,418</u>	<u>\$ 521,640</u>	<u>\$ 912,922</u>	<u>\$ 2,937,980</u>

Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
University and College Funds
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues	\$ 515,236	\$ 217,945	\$ 325,527	\$ 1,058,708
Expenditures:				
Education and General	546,143	291,361	466,081	1,303,585
Auxiliary Enterprises and Hospitals	234,482	40,023	50,590	325,095
Total Expenditures	<u>780,625</u>	<u>331,384</u>	<u>516,671</u>	<u>1,628,680</u>
Mandatory Transfers (Net)	<u>33,732</u>	<u>14,524</u>	<u>34,117</u>	<u>82,373</u>
Total Expenditures and Mandatory Transfers	814,357	345,908	550,788	1,711,053
Other Transfers and Additions	329,235	142,774	232,908	704,917
Non-Mandatory Transfers (Net)	41,175	13,800	6,416	61,391
Additions (Deductions)	<u>7,231</u>	<u>8,182</u>	<u>1,765</u>	<u>17,178</u>
Total Other Transfers and Additions (Deductions)	377,641	164,756	241,089	783,486
Net Increase in Fund Balances	<u>\$ (3,830)</u>	<u>\$ 9,193</u>	<u>\$ 2,996</u>	<u>\$ 8,359</u>

Note 17

COMMITMENTS AND CONTINGENCIES

Litigation - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

The Commonwealth is involved in litigation concerning the classification of state employees as being exempt from overtime provisions of the Fair Labor Standards Act. The ultimate outcome of the litigation cannot presently be determined. The Attorney General's Office had indicated that probable payments could be significant; however, the total amount to be paid is not reasonably estimable. Therefore, except for liability related to the initial plaintiffs, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements.

Federal Grants - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth.

Leases - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Primary Government expenditures for rent under leases for the years ended June 30, 1996 and 1995, amounted to \$35.7 million and \$30.9 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense which would require adjustment to be in compliance with GASB Statement 13.

Sick Leave - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability for sick leave at June 30, 1996. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was \$230,079,949 and \$14,051,170, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 1996, has contractual commitments of approximately \$684,774,000, for the construction of numerous highway projects. It is anticipated that these projects will be funded with approximately 35% State funds, 43% Federal funds, and the remaining 22% with proceeds from the sale of revenue bonds.

Note 18

SUBSEQUENT EVENTS

The debt issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 1996, and prior to December 30, 1996, and reported other subsequent events for the same period, as described below.

State Universities

On September 5, 1996, Western Kentucky University issued \$3,000,000 of Housing and Dining System Revenue Bonds, Series M. The proceeds will be used to reimburse the Current Unrestricted Fund for amounts paid for renovation of existing campus housing buildings. Serial bonds mature each December 1, 1996 through 2025, at 5.5%.

On December 18, 1996, the University of Louisville issued \$15,250,000 in Consolidated Educational Building Refunding Bonds, Series G. The bonds mature serially and annually each May 1, 1997 through 2007 at 4.25% to 4.75%.

Kentucky Housing Corporation

On August 22, 1996, the Board of Directors authorized the development of a financing plan for the replacement refunding and new issuance of Housing Revenue Bonds. The total financing of approximately \$50,000,000 is expected to be completed in October 1996. The proceeds of the transaction will be used to finance mortgage loans for persons and families of lower and moderate income.

Bonds dated June 27, 1996, include:

\$1,500,000, 1996 Series C (remarketed), with term maturities of \$675,000 due July 1, 2022, at 6.25%, and \$825,000 due July 1, 2028, at 6.3%.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Bonds dated September 1, 1996, include:

\$15,355,000, 1996 Series D, with term maturities of \$2,400,000 due July 1, 2006, at 5.05%, \$2,660,000 due July 1, 2007, at 5.2%, \$7,710,000 due July 1, 2013, at 5.8%, and \$2,585,000 due July 1, 2017, at 5.95%,

\$23,130,000, 1996 Series E, with term bonds due January 1, 2028, at 6.3%, and

\$10,015,000, 1996 Series F, with term bonds due July 1, 2010, at 7.21%.

Kentucky Higher Education Student Loan Corporation

On September 12, 1996, the Corporation issued \$27,500,000 of Insured Student Loan Revenue Bonds to continue its student loan finance program. The \$25,000,000 1996 Series A Bonds are scheduled to mature on June 1, 2026, and bear interest rates that change weekly based on specified indices. The \$2,500,000 1996 Series B Bonds are scheduled to mature on June 1, 2003, and bear interest rates at 5.15%.

Kentucky Educational Television

KET has agreed to provide contractual services to the Public Broadcasting Service (PBS) for a five year period beginning subsequent to June 30, 1996. The services to be provided include production of two video series targeted at assisting individuals planning to take the revised GED exam. In consideration for these services, KET will receive approximately \$5,300,000 over the five year period according to the approved budget summary.

Kentucky Lottery Corporation

The Corporation is in the process of securing an agreement to borrow up to \$6,787,000 from a financial institution. The proceeds will be used to fund the renovation of real estate purchased during the year ended June 30, 1996 to be used as new corporate headquarters. It is expected that the balance under this agreement will be drawn as needed for such renovations, with repayment to begin upon occupancy which is expected during the year ending June 30, 1998.

Kentucky Retirement Systems

In accordance with KRS 78.534, effective August 1, 1996, all former circuit clerks or former deputy clerks who were vested in the Kentucky Employees Retirement System and who had not yet begun to draw benefits, and all circuit clerks or deputy clerks thereafter taking office will participate in the County Employees Retirement System. Therefore, the Kentucky Employees Retirement System was required to transfer for each member affected, a dollar amount equal to the member's and employer's contribution from the date made to the date transferred at the actuarially assumed interest rate of the Kentucky Employees Retirement System in effect at the time the contributions were originally made.

The actual amounts transferred in November 1996 were \$12,291,086 in member contributions and \$34,578,917 in employer contributions. At the time of the transfer, the actuarially determined liability associated with these transfers had not yet been determined.

Workers' Compensation Funding Commission and Labor Cabinet - Special Fund

As the result of the special session of the Kentucky General Assembly, Governor Patton signed into law on December 12, 1996, legislation that significantly changes the workers' compensation system and directly impacts the Funding Commission and Special Fund.

The Funding Commission will continue to collect assessments for the payment of Special Fund claims filed through December 12, 1996. Payments for claims filed as of December 12, 1996, are expected to continue through 2018. The Funding Commission will continue to collect assessments for the payment of Special Fund claims until these claims are paid in full.

The Special Fund will continue to process payments for claims filed as of December 12, 1996. The Special Fund will not process new claims after December 12, 1996. Payment of claims filed as of December 12, 1996, is expected to continue through 2018.

Kentucky Public Employees Deferred Compensation Authority

The Small Business Job Protection Act of 1996 (P.L. 104-188) makes a number of favorable changes to Internal Revenue Code, Section 457. Among them is Section 1448 of the Act which amends Section 457 by removing the requirement that plan assets be available for government creditors, and adds a requirement that plan assets be held in such a way as to identify and protect the employees' interest.

Section 457 now requires that the assets of a government employees deferred compensation plan be held in a trust, custodial account or qualifying insurance contract that is held for the exclusive benefit of participants.

Existing plans (including additional contributions to such plans) have until January 1, 1999, to create a trust or otherwise comply with the new requirements.

Kentucky School Facilities Construction Commission

The Commission administers State participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 1996, and maturing as to principal through 2016 as follows:

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

School District	Sale Date	Principal at Issue	State Share	Interest Rate
Campbell County	07/01/96	\$ 7,700,000	\$ 655,882	4.875-5.6%
Casey County	07/01/96	1,750,000	594,645	4.6-5.8%
Elizabethtown Independent	07/02/96	920,000	329,414	4.3-5.75%
Taylor County	07/02/96	780,000	185,180	5.125-6.0%
Meade County	07/03/96	4,350,000	535,544	5.05-6.0%
Grant County	07/04/96	330,000	277,588	4.25-5.9%
Madison County	07/08/96	5,155,000	777,145	5.65%
Middlesboro Independent	07/08/96	865,000	289,923	4.2-6.1%
Corbin Independent	07/09/96	895,000	227,435	5.375-5.5%
Hardin County	07/09/96	4,665,000	1,854,272	4.0-6.0%
Pulaski County	07/09/96	1,400,000	518,732	4.2-5.9%
Estill County	07/11/96	8,790,000	785,966	5.5-5.875%
Nelson County	07/11/96	4,290,000	813,649	4.0-5.8%
Paintsville Independent	07/12/96	550,000	125,448	4.55-5.7%
Barren County	07/15/96	3,710,000	708,416	4.0-5.6%
Menifee County	07/16/96	245,000	245,000	4.75-5.8%
Butler County	07/24/96	4,460,000	3,698,346	5.5-5.55%
Bullitt County	08/14/96	2,000,000	945,194	3.75-5.4%
Washington County	08/28/96	255,000	205,803	4.5-5.6%
Hickman County	09/04/96	170,000	170,000	5.15-5.75%
Cumberland County	09/06/96	235,000	127,067	4.5-5.7%
Bath County	09/09/96	185,000	185,000	5.0-5.7%
Nicholas County	09/10/96	100,000	100,000	5.3-5.7%
Boyd County	09/10/96	425,000	425,000	4.6-5.7%
Carlisle County	09/11/96	165,000	165,000	5.0-5.75%
Frankfort Independent	09/12/96	2,675,000	1,919,381	4.375-5.0%
Magoffin County	09/12/96	260,000	217,373	4.75-5.75%
Woodford County	09/12/96	215,000	154,222	4.875-5.65%
Clark County	09/13/96	255,000	255,000	4.5-5.55%
Fairview Independent	09/13/96	120,000	104,999	5.0-5.75%
Knox County	09/13/96	425,000	378,225	5.15-5.3%
Walton-Verona Ind.	09/13/96	175,000	50,000	4.8-5.65%
Fort Thomas Independent	09/16/96	100,000	100,000	4.7-5.7%
Leslie County	09/16/96	240,000	240,000	5.0-5.375%
Letcher County	09/18/96	3,295,000	2,207,126	4.375-4.65%
Woodford County	10/23/96	7,675,000	1,231,197	4.2-5.6%
Carlisle County	10/30/96	145,000	65,758	5.1-5.4%
Floyd County	11/27/96	3,460,000	1,222,675	4.5-4.55%
Wolfe County	12/04/96	1,385,000	412,504	3.7-5.0%
Metcalfe County	12/10/96	285,000	218,521	4.5-5.15%
Franklin County	12/11/96	4,245,000	3,372,720	4.45-4.7%
Bracken County	12/12/96	187,000 *	187,000 *	NIC 5.4344% *
Bracken County	12/12/96	515,000	466,203	4.8%
Magoffin County	12/12/96	850,000	850,000	4.2-5.0%
Nelson County	12/17/96	1,020,000	427,400	4.0-4.6%
Totals		\$ 81,917,000	\$ 29,025,953	

* Amounts are estimated, pending final participation agreements and debt service schedules.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1996

Audited financial statements for component units may be requested at the following addresses:

Bluegrass State Skills Corporation
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Kentucky Turnpike Authority
Room 267, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Center for the Arts
5 Riverfront Plaza
Louisville, Kentucky 40202-2989

Kentucky Economic Development Finance Authority
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation
10180 Linn Station Road
P.O. Box 24266
Louisville, Kentucky 40224-0266

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, Kentucky 40601

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601

University of Louisville
Belknap Campus
Controller's Office
Louisville, Kentucky 40292

Western Kentucky University
Vice President for Finance and Administration
1 Big Red Way
Bowling Green, Kentucky 42101-3576

Murray State University
Financial Management and Planning
Murray, Kentucky 42071

Kentucky State University
Office of Administrative Affairs
East Main Street
Frankfort, Kentucky 40601

Kentucky Lottery Corporation
Two Paragon Centre Suite 400
6040 Dutchmans Lane
Louisville, Kentucky 40205-3271

Kentucky State Fair Board
Kentucky Fair and Exposition Center
P.O. Box 37130
Louisville, Kentucky 40233-7130

Kentucky Educational Television
600 Cooper Drive
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601

Kentucky Educational Savings Plan Trust
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601

Kentucky Infrastructure Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System
P.O. Box 791
Frankfort, Kentucky 40602

University of Kentucky
General Accounting
371 Peterson Service Building
Lexington, Kentucky 40506-0005

Eastern Kentucky University
Vice President for Business Affairs
521 Lancaster Avenue
Richmond, Kentucky 40475-3101

Morehead State University
Office of Accounting and Budgetary Control
202 Howell-McDowell Administration Building
Morehead, Kentucky 40351-1689

Northern Kentucky University
Office of Business Affairs
Lucas Administration Center 726
Nunn Drive
Highland Heights, Kentucky 41099-8101

**COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP
SCHEDULES AND STATEMENTS**

GENERAL FUND

The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GENERAL FUND
JUNE 30, 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 280,954
INVESTMENTS, NET OF AMORTIZATION	150,667
RECEIVABLES, NET	444,218
INTERFUND RECEIVABLES	128,491
INVENTORIES	11,776
TOTAL ASSETS	<u>\$ 1,016,106</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 309,744
TAX REFUNDS PAYABLE	147,502
INTERFUND PAYABLES	37,377
DEFERRED REVENUE	58,092
TOTAL LIABILITIES	<u>552,715</u>
FUND BALANCE:	
RESERVED FOR:	
STATUTORY OBLIGATIONS	79,601
BUDGET STABILIZATION	200,000
INVENTORIES	11,776
UNRESERVED:	
UNDESIGNATED	172,014
TOTAL FUND BALANCE	<u>463,391</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,016,106</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
REVENUES:	
TAXES	\$ 5,104,779
LICENSES, FEES, AND PERMITS	18,492
INTERGOVERNMENTAL	4,691
CHARGES FOR SERVICES	3,942
FINES AND FORFEITS	36,335
INTEREST AND OTHER INVESTMENT INCOME	34,058
OTHER REVENUES	13,388
TOTAL REVENUES	<u>5,215,685</u>
EXPENDITURES:	
GENERAL GOVERNMENT	312,968
LEGISLATIVE AND JUDICIAL	145,239
COMMERCE	15,741
EDUCATION AND HUMANITIES	2,430,095
HUMAN RESOURCES	1,013,663
JUSTICE	245,772
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	45,267
PUBLIC PROTECTION AND REGULATION	36,352
TRANSPORTATION	4,766
TOTAL EXPENDITURES	<u>4,249,863</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>965,822</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	182,748
OPERATING TRANSFERS OUT	(342,529)
TRANSFERS FROM COMPONENT UNITS	2,997
TRANSFERS TO COMPONENT UNITS	(749,644)
CAPITALIZED LEASES	125
TOTAL OTHER FINANCING SOURCES (USES)	<u>(906,303)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	59,519
FUND BALANCE AT JULY 1	404,681
INCREASE (DECREASE) IN INVENTORIES	(809)
FUND BALANCE AT JUNE 30	<u>\$ 463,391</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
BUDGETED:			
TAXES	\$ 5,043,202	\$ 5,087,752	\$ 44,550
LICENSES, FEES, AND PERMITS	19,055	18,491	(564)
INTERGOVERNMENTAL	4,410	4,692	282
CHARGES FOR SERVICES	2,235	3,886	1,651
FINES AND FORFEITS	34,645	36,339	1,694
INTEREST AND OTHER INVESTMENT INCOME	25,600	30,398	4,798
LOTTERY PROCEEDS	132,000	147,000	15,000
OTHER REVENUES	8,144	3,022	(5,122)
TRANSFERS IN	13,125	17,068	3,943
TOTAL BUDGETED REVENUES	<u>5,282,416</u>	<u>5,348,648</u>	<u>66,232</u>
NON-BUDGETED:			
OTHER REVENUES		53	53
ESCHEAT REVENUE		5,251	5,251
TRANSFERS IN (INTERFUND)		30,203	30,203
TOTAL NON-BUDGETED REVENUES		<u>35,507</u>	<u>35,507</u>
TOTAL REVENUES	<u>5,282,416</u>	<u>5,384,155</u>	<u>101,739</u>
EXPENDITURES:			
GENERAL GOVERNMENT:			
GOVERNOR'S OFFICE	3,426	3,426	
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	2,184	2,112	72
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT - PLANNING FUND	187	180	7
UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH ATTORNEYS	12,900	12,899	1
UNIFIED PROSECUTORIAL SYSTEM - COUNTY ATTORNEYS	13,625	13,624	1
DEPARTMENT OF AGRICULTURE	13,336	12,305	1,031
OFFICE OF THE ATTORNEY GENERAL	8,896	8,896	
AUDITOR OF PUBLIC ACCOUNTS	4,197	4,197	
REGISTRY OF ELECTION FINANCE	3,698	3,560	138
LIEUTENANT GOVERNOR'S OFFICE	475	432	43
MILITARY AFFAIRS - GENERAL OPERATIONS	9,485	8,532	953
MILITARY AFFAIRS - DISASTER AND EMERGENCY SERVICES	5,443	4,609	834
LOCAL GOVERNMENT - VARIOUS AREA DEVELOPMENT DISTRICTS	6,952	6,572	380
LOCAL GOVERNMENT - ECONOMIC ASSISTANCE FUND	37,143	28,614	8,529
LOCAL GOVERNMENT - ECONOMIC DEVELOPMENT FUND	22,416	19,450	2,966
SECRETARY OF STATE - GENERAL OPERATIONS	1,827	1,827	
DEPARTMENT OF THE TREASURY	1,751	1,751	
BOARD OF ELECTIONS	3,944	3,944	
PERSONNEL BOARD	455	446	9
SCHOOL FACILITIES CONSTRUCTION COMMISSION	61,436	55,983	5,453
EXECUTIVE BRANCH ETHICS COMMISSION	207	196	11
COMMISSION ON HUMAN RIGHTS	1,731	1,693	38
COMMISSION ON WOMEN	178	178	
COUNCIL ON HIGHER EDUCATION	10,123	9,858	265
BUDGET RESERVE TRUST FUND	200,000		200,000

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
PERSONNEL CABINET	4,362	4,254	108
EASTERN KENTUCKY UNIVERSITY	55,831	55,555	276
KENTUCKY STATE UNIVERSITY	19,117	19,117	
MOREHEAD STATE UNIVERSITY	34,190	34,100	90
MURRAY STATE UNIVERSITY	39,946	39,946	
NORTHERN KENTUCKY UNIVERSITY	30,554	30,554	
UNIVERSITY OF KENTUCKY	253,975	253,880	95
UNIVERSITY OF KENTUCKY COMMUNITY COLLEGE SYSTEM	76,363	76,183	180
UNIVERSITY OF LOUISVILLE	142,837	142,558	279
WESTERN KENTUCKY UNIVERSITY	53,003	53,003	
REVENUE:			
GENERAL ADMINISTRATION	21,838	21,526	312
DEPARTMENT OF TAX COMPLIANCE	23,430	23,364	66
DEPARTMENT OF PROPERTY TAXATION	5,525	5,474	51
OFFICE OF PROPERTY VALUATION ADMINISTRATORS	17,954	17,736	218
FINANCE AND ADMINISTRATION - OFFICE OF THE SECRETARY	28,530	26,405	2,125
CAPITAL PLAZA AUTHORITY	59	57	2
KENTUCKY VETERANS CENTER	7,281	7,081	200
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY	28,377	26,660	1,717
DEPARTMENT FOR ADMINISTRATION	3,318	3,318	
DEPARTMENT FOR FACILITIES MANAGEMENT	7,900	7,018	882
SPECIAL ACCOUNTS - CAPITAL CONSTRUCTION	31,809	31,609	200
EMPOWER KENTUCKY CAPITAL CONSTRUCTION POOL B	38,261	38,261	
EMPOWER KENTUCKY TECHNOLOGY POOL A	38,261	35	38,226
COUNTY COSTS	13,946	12,579	1,367
ACCESS TO JUSTICE	1,200	1,145	55
APPROPRIATIONS NOT OTHERWISE CLASSIFIED:			
BOARD OF CLAIMS AWARDS	600	327	273
GUARDIAN AD LITEM	1,450	1,450	
JUDGEMENTS	5,593	4,639	954
PRIOR YEAR CLAIMS	639	638	1
UNREDEEMED CHECKS REFUNDED	324	158	166
INVOLUNTARY COMMITMENTS	60	46	14
FRANKFORT IN LIEU OF TAXES	195	195	
FRANKFORT CEMETERY	3	3	
COURT ORDERED REFUNDS	46,400	24,805	21,595
POLICE AND FIREMEN LIFE INSURANCE	300	50	250
MASTER COMMISSIONER EMPLOYERS RETIREMENT	200	200	
MASTER COMMISSIONER SOCIAL SECURITY	190	190	
WORKERS' COMPENSATION	225	195	30
TOTAL GENERAL GOVERNMENT	<u>1,460,061</u>	<u>1,169,598</u>	<u>290,463</u>
LEGISLATIVE AND JUDICIAL:			
GENERAL ASSEMBLY:			
REGULAR SESSIONS	14,204	9,363	4,841
KENTUCKY LEGISLATIVE ETHICS COMMISSION	736	323	413
LONG TERM POLICY RESEARCH CENTER	375	311	64
LEGISLATIVE RESEARCH COMMISSION:			
ADMINISTRATIVE	21,919	19,134	2,785
EDUCATIONAL PLANNING COMMISSION	200		200
JUDICIAL RETIREMENT SYSTEM	4,579	4,578	1
COURT OF JUSTICE - CASE MANAGEMENT SYSTEM	865	865	
COURT OF JUSTICE - OPERATION AND ADMINISTRATION	95,905	95,904	1
COURT OF JUSTICE - LOCAL FACILITY SUPPORT	15,384	14,659	725
TOTAL LEGISLATIVE AND JUDICIAL	<u>154,167</u>	<u>145,137</u>	<u>9,030</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
COMMERCE:			
ECONOMIC DEVELOPMENT:			
OFFICE OF THE SECRETARY	1,695	1,646	49
ADMINISTRATION AND SUPPORT	1,597	1,585	12
JOB DEVELOPMENT	1,890	1,819	71
FINANCIAL INCENTIVES	66,307	52,710	13,597
COMMUNITY DEVELOPMENT	3,504	3,352	152
TOURISM - OFFICE OF THE SECRETARY	1,189	1,139	50
BREAKS INTERSTATE PARK	170	153	17
DEPARTMENT OF TRAVEL DEVELOPMENT	6,188	6,091	97
KENTUCKY STATE FAIR BOARD	10,960	9,910	1,050
KENTUCKY HORSE PARK	2,466	2,466	
DEPARTMENT OF PARKS	30,787	27,811	2,976
TOTAL COMMERCE	<u>126,753</u>	<u>108,682</u>	<u>18,071</u>
EDUCATION AND HUMANITIES:			
OFFICE OF THE SECRETARY	1,600	1,557	43
COMMISSION ON DEAF AND HARD OF HEARING	342	341	1
KENTUCKY HERITAGE COUNCIL	711	711	
KENTUCKY ARTS COUNCIL	3,308	3,289	19
EDUCATION:			
SUPPORT EDUCATION EXCELLENCE IN KY (SEEK)	1,933,303	1,908,028	25,275
EXECUTIVE POLICY AND MANAGEMENT	2,609	2,609	
MANAGEMENT SUPPORT SERVICES	217,001	211,968	5,033
LEARNING RESULTS SERVICES	54,719	54,718	1
LEARNING SUPPORT SERVICES	119,880	119,878	2
KENTUCKY EDUCATION TELEVISION	15,123	15,123	
KENTUCKY HISTORICAL SOCIETY	3,905	3,169	736
KENTUCKY CENTER FOR THE ARTS	3,401	3,393	8
LIBRARIES AND ARCHIVES - DIRECT LOCAL AID	5,327	5,326	1
LIBRARIES AND ARCHIVES - GENERAL OPERATIONS	7,361	7,359	2
TEACHERS' RETIREMENT SYSTEM	61,829	61,829	
WORKFORCE DEVELOPMENT - OFFICE OF THE SECRETARY:			
GENERAL ADMINISTRATION AND PROGRAM SUPPORT	7,319	7,304	15
TEACHER RETIREMENT EMPLOYER CONTRIBUTION MATCH	8,652	8,322	330
WORKFORCE DEVELOPMENT:			
DEPARTMENT FOR THE BLIND	1,701	1,691	10
OFFICE OF TRAINING AND REEMPLOYMENT	100	100	
DEPARTMENT OF EMPLOYMENT SERVICES	1,960	1,920	40
BOARD FOR ADULT AND TECHNICAL EDUCATION	34	23	11
DEPARTMENT FOR TECHNICAL EDUCATION	63,619	63,519	100
DEPARTMENT FOR ADULT EDUCATION & LITERACY	10,530	10,480	50
VOCATIONAL REHABILITATION	8,261	8,211	50
TOTAL EDUCATION AND HUMANITIES	<u>2,532,595</u>	<u>2,500,868</u>	<u>31,727</u>
HUMAN RESOURCES:			
OFFICE OF SUPPORT SERVICES	64,814	64,260	554
DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION SERVICES	132,125	132,125	
DEPARTMENT FOR HEALTH SERVICES	50,160	50,160	
COMMISSION FOR SPECIAL NEEDS CHILDREN	8,066	8,022	44
DEPARTMENT FOR SOCIAL INSURANCE - PROGRAMS	49,333	45,999	3,334
DEPARTMENT FOR SOCIAL INSURANCE - BENEFITS	100,093	80,342	19,751
DEPARTMENT FOR MEDICAID SERVICES - PROGRAMS	22,118	20,841	1,277
DEPARTMENT FOR MEDICAID SERVICES - BENEFITS	472,495	472,495	
KENTUCKY HEALTH POLICY BOARD	3,000	3,000	
DEPARTMENT FOR SOCIAL SERVICES - PROGRAMS	142,570	142,570	
TOTAL HUMAN RESOURCES	<u>1,044,774</u>	<u>1,019,814</u>	<u>24,960</u>

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
JUSTICE:			
JUSTICE - ADMINISTRATION	4,966	4,962	4
DEPARTMENT OF STATE POLICE	40,779	40,529	250
DEPARTMENT OF CORRECTIONS:			
MANAGEMENT	24,629	24,180	449
ADULT INSTITUTIONS	128,416	127,448	968
LOCAL JAIL ALLOTMENT	14,908	14,390	518
COMMUNITY SERVICES AND LOCAL FACILITIES	41,756	41,214	542
TOTAL JUSTICE	<u>255,454</u>	<u>252,723</u>	<u>2,731</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:			
OFFICE OF THE SECRETARY	7,461	7,300	161
ENVIRONMENTAL QUALITY COMMISSION	209	187	22
KENTUCKY NATURE PRESERVES COMMISSION	677	677	
DEPARTMENT FOR ENVIRONMENTAL PROTECTION	19,448	19,326	122
DEPARTMENT FOR NATURAL RESOURCES AND ENFORCEMENT	9,436	9,436	
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	<u>46,985</u>	<u>46,257</u>	<u>728</u>
PUBLIC PROTECTION AND REGULATION:			
OFFICE OF THE SECRETARY	304	304	
BOARD OF CLAIMS/CRIME VICTIMS COMPENSATION BOARD	459	428	31
BOARD OF TAX APPEALS	447	317	130
KENTUCKY RACING COMMISSION	846	832	14
PUBLIC SERVICE COMMISSION	7,223	6,304	919
DEPARTMENT FOR PUBLIC ADVOCACY	12,755	12,549	206
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	1,547	1,546	1
DEPARTMENT OF HOUSING, BUILDING, AND CONSTRUCTION	3,066	3,059	7
DEPARTMENT FOR MINES AND MINERALS	9,041	8,877	164
LABOR - OFFICE OF THE SECRETARY	483	482	1
DEPARTMENT OF WORKPLACE STANDARDS	1,633	1,485	148
TOTAL PUBLIC PROTECTION AND REGULATION	<u>37,804</u>	<u>36,183</u>	<u>1,621</u>
TRANSPORTATION:			
AIR	4,976	2,104	2,872
RAIL	83	62	21
PUBLIC	3,141	2,750	391
TOTAL TRANSPORTATION	<u>8,200</u>	<u>4,916</u>	<u>3,284</u>
TOTAL EXPENDITURES	<u>5,666,793</u>	<u>5,284,178</u>	<u>382,615</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(384,377)	99,977	484,354
FUND BALANCE AT JULY 1	404,864	404,864	
NON-BUDGETED ITEMS		(1,813)	(1,813)
FUND BALANCE AT JUNE 30	<u>\$ 20,487</u>	<u>\$ 503,028</u>	<u>\$ 482,541</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
REVENUES BY SOURCE	
TAXES:	
SALES AND GROSS RECEIPTS	\$ 1,962,602
INCOME:	
INDIVIDUAL	2,080,418
CORPORATIONS	289,508
PROPERTY	409,175
COAL SEVERANCE	185,019
LICENSES AND PRIVILEGES	92,034
INHERITANCE AND ESTATE	82,673
MISCELLANEOUS	3,350
TOTAL TAXES	<u>5,104,779</u>
LICENSES, FEES, AND PERMITS	18,492
INTERGOVERNMENTAL	4,691
CHARGES FOR SERVICES	3,942
FINES AND FORFEITS	36,335
INTEREST AND OTHER INVESTMENT INCOME	34,058
OTHER REVENUES	13,388
TOTAL REVENUES BY SOURCE	<u>\$ 5,215,685</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed In Thousands)

	<u>June 30, 1996</u>
GENERAL GOVERNMENT:	
CABINET FOR GENERAL GOVERNMENT:	
PERSONAL SERVICES	\$ 71,573
UTILITIES, RENTALS, AND OTHER SERVICES	8,634
COMMODITIES AND SUPPLIES	3,395
GRANTS AND SUBSIDIES	46,850
CAPITAL OUTLAY	444
TRAVEL	1,249
JUDGEMENTS AND CONTINGENT LIABILITIES	149
TOTAL CABINET FOR GENERAL GOVERNMENT	<u>132,294</u>
FINANCE AND ADMINISTRATION CABINET:	
PERSONAL SERVICES	20,532
UTILITIES, RENTALS, AND OTHER SERVICES	2,598
COMMODITIES AND SUPPLIES	14,963
GRANTS AND SUBSIDIES	1,147
CAPITAL OUTLAY	102
TRAVEL	138
JUDGEMENTS AND CONTINGENT LIABILITIES	7,278
REISSUE UNREDEEMED TREASURY CHECKS	140
TOTAL FINANCE AND ADMINISTRATION CABINET	<u>46,898</u>
REVENUE CABINET:	
PERSONAL SERVICES	51,848
UTILITIES, RENTALS, AND OTHER SERVICES	12,395
COMMODITIES AND SUPPLIES	2,372
CAPITAL OUTLAY	574
TRAVEL	1,048
JUDGEMENTS AND CONTINGENT LIABILITIES	63,716
TOTAL REVENUE CABINET	<u>131,953</u>
PERSONNEL CABINET:	
PERSONAL SERVICES	1,460
UTILITIES, RENTALS, AND OTHER SERVICES	319
COMMODITIES AND SUPPLIES	41
TRAVEL	3
TOTAL PERSONNEL CABINET	<u>1,823</u>
TOTAL GENERAL GOVERNMENT	<u>312,968</u>
LEGISLATIVE AND JUDICIAL:	
PERSONAL SERVICES	111,541
UTILITIES, RENTALS, AND OTHER SERVICES	23,050
COMMODITIES AND SUPPLIES	5,457
GRANTS AND COMMODITIES	1
CAPITAL OUTLAY	2,825
TRAVEL	2,333
JUDGEMENTS AND CONTINGENT LIABILITIES	32
TOTAL LEGISLATIVE AND JUDICIAL	<u>145,239</u>
COMMERCE:	
ECONOMIC DEVELOPMENT CABINET:	
PERSONAL SERVICES	5,568
UTILITIES, RENTALS, AND OTHER SERVICES	877
COMMODITIES AND SUPPLIES	269
GRANTS AND SUBSIDIES	1,818
TRAVEL	158
TOTAL ECONOMIC DEVELOPMENT CABINET	<u>8,690</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
TOURISM CABINET:	
PERSONAL SERVICES	4,206
UTILITIES, RENTALS, AND OTHER SERVICES	1,276
COMMODITIES AND SUPPLIES	163
GRANTS AND SUBSIDIES	1,183
CAPITAL OUTLAY	29
TRAVEL	169
JUDGEMENTS AND CONTINGENT LIABILITIES	25
TOTAL TOURISM CABINET	<u>7,051</u>
TOTAL COMMERCE	<u>15,741</u>
EDUCATION AND HUMANITIES:	
EDUCATION AND HUMANITIES CABINET:	
PERSONAL SERVICES	48,839
UTILITIES, RENTALS, AND OTHER SERVICES	5,311
COMMODITIES AND SUPPLIES	1,562
GRANTS AND SUBSIDIES	2,275,239
CAPITAL OUTLAY	526
TRAVEL	1,517
JUDGEMENTS AND CONTINGENT LIABILITIES	2
TOTAL EDUCATION AND HUMANITIES CABINET	<u>2,332,996</u>
WORKFORCE DEVELOPMENT CABINET:	
PERSONAL SERVICES	65,937
UTILITIES, RENTALS, AND OTHER SERVICES	9,441
COMMODITIES AND SUPPLIES	3,890
GRANTS AND SUBSIDIES	14,638
CAPITAL OUTLAY	2,414
TRAVEL	864
JUDGEMENTS AND CONTINGENT LIABILITIES	(85)
TOTAL WORKFORCE DEVELOPMENT CABINET	<u>97,099</u>
TOTAL EDUCATION AND HUMANITIES	<u>2,430,095</u>
HUMAN RESOURCES:	
PERSONAL SERVICES	157,155
UTILITIES, RENTALS, AND OTHER SERVICES	26,525
COMMODITIES AND SUPPLIES	7,834
GRANTS AND SUBSIDIES	801,344
CAPITAL OUTLAY	1,778
TRAVEL	3,864
JUDGEMENTS AND CONTINGENT LIABILITIES	15,163
TOTAL CABINET HUMAN RESOURCES CABINET	<u>1,013,663</u>
JUSTICE:	
PERSONAL SERVICES	132,942
UTILITIES, RENTALS, AND OTHER SERVICES	18,618
COMMODITIES AND SUPPLIES	13,798
GRANTS AND SUBSIDIES	66,238
CAPITAL OUTLAY	643
TRAVEL	1,045
DEBT SERVICE	207
JUDGEMENTS AND CONTINGENT LIABILITIES	12,281
TOTAL JUSTICE	<u>245,772</u>

	<u>June 30, 1996</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:	
PERSONAL SERVICES	37,288
UTILITIES, RENTALS, AND OTHER SERVICES	4,895
COMMODITIES AND SUPPLIES	1,992
GRANTS AND SUBSIDIES	1,152
CAPITAL OUTLAY	510
TRAVEL	323
JUDGEMENTS AND CONTINGENT LIABILITIES	(893)
TOTAL NATURAL RESOURCES AND ENVIRONMENT PROTECTION	<u>45,267</u>
PUBLIC PROTECTION AND REGULATION:	
PUBLIC PROTECTION AND REGULATION CABINET:	
PERSONAL SERVICES	24,717
UTILITIES, RENTALS, AND OTHER SERVICES	2,733
COMMODITIES AND SUPPLIES	764
GRANTS AND SUBSIDIES	5,057
CAPITAL OUTLAY	510
TRAVEL	481
JUDGEMENTS AND CONTINGENT LIABILITIES	102
TOTAL PUBLIC PROTECTION AND REGULATION	<u>34,364</u>
LABOR CABINET:	
PERSONAL SERVICES	1,591
UTILITIES, RENTALS, AND OTHER SERVICES	98
COMMODITIES AND SUPPLIES	34
GRANTS AND SUBSIDIES	150
CAPITAL OUTLAY	4
TRAVEL	111
TOTAL LABOR CABINET	<u>1,988</u>
TOTAL PUBLIC PROTECTION AND REGULATION	<u>36,352</u>
TRANSPORTATION :	
PERSONAL SERVICES	1,045
UTILITIES, RENTALS, AND OTHER SERVICES	11
COMMODITIES AND SUPPLIES	145
GRANTS AND SUBSIDIES	3,553
TRAVEL	12
TOTAL TRANSPORTATION	<u>4,766</u>
TOTAL EXPENDITURES	<u><u>\$ 4,249,863</u></u>

SPECIAL REVENUE FUNDS

The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

Transportation Fund - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

Federal Fund - accounts for monies received from the Federal Government.

Agency Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

Other Special Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1996
(Expressed in Thousands)

	<u>Transportation</u>	<u>Federal</u>	<u>Agency Revenue</u>	<u>Other Special Revenue</u>	<u>Totals June 30, 1996</u>
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 162,770	\$ 2,023	\$ 111,113	\$ 111,972	\$ 387,878
RESTRICTED CASH	1,000		5,000		6,000
INVESTMENTS, NET OF AMORTIZATION	483,018		62,960	285,758	831,736
RECEIVABLES, NET	67,763	594,647	34,421	46,396	743,227
INTERFUND RECEIVABLES	6,146	18,075	132,684	3,831	160,736
INVENTORIES	26,227	1,140	3,279	63	30,709
RESTRICTED ASSETS		89,432			89,432
TOTAL ASSETS	<u>\$ 746,924</u>	<u>\$ 705,317</u>	<u>\$ 349,457</u>	<u>\$ 448,020</u>	<u>\$ 2,249,718</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 77,348	\$ 448,234	\$ 77,309	\$ 333	\$ 603,224
INTERFUND PAYABLES	13,107	122,069	57,775	45,063	238,014
DEFERRED REVENUE	21,421	132,926	15,272	23,388	193,007
TOTAL LIABILITIES	<u>111,876</u>	<u>703,229</u>	<u>150,356</u>	<u>68,784</u>	<u>1,034,245</u>
FUND BALANCE:					
RESERVED FOR:					
ENCUMBRANCES	224,912				224,912
STATUTORY OBLIGATIONS	49,421			2,090	51,511
LOANS			8,173	810	8,983
INVENTORIES	26,227	1,140	3,279	63	30,709
DEPOSIT WITH FISCAL AGENTS	601		5,000		5,601
COMPENSATING BALANCE WITH DEPOSITORIES	1,000				1,000
REVENUE BOND RETIREMENT				1,000	1,000
UNRESERVED:					
DESIGNATED FOR HIGHWAY CONSTRUCTION	260,968				260,968
UNDESIGNATED	71,919	948	182,649	375,273	630,789
TOTAL FUND BALANCES	<u>635,048</u>	<u>2,088</u>	<u>199,101</u>	<u>379,236</u>	<u>1,215,473</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 746,924</u>	<u>\$ 705,317</u>	<u>\$ 349,457</u>	<u>\$ 448,020</u>	<u>\$ 2,249,718</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	<u>Transportation</u>	<u>Federal</u>	<u>Agency Revenue</u>	<u>Other Special Revenue</u>	<u>Totals June 30, 1996</u>
REVENUES:					
TAXES	\$ 783,630	\$	\$ 206,513	\$ 60,644	\$ 1,050,787
LICENSES, FEES AND PERMITS	94,419	15	50,114	291	144,839
INTERGOVERNMENTAL	1,771	3,333,434	14,024	7,451	3,356,680
CHARGES FOR SERVICES	18,836	1,328	243,332	5,959	269,455
FINES AND FORFEITS	32		2,367	1,751	4,150
INTEREST AND OTHER INVESTMENT INCOME	35,036	286	4,756	27,664	67,742
OTHER REVENUES	2,882	57,920	40,168	16,076	117,046
TOTAL REVENUES	<u>936,606</u>	<u>3,392,983</u>	<u>561,274</u>	<u>119,836</u>	<u>5,010,699</u>
EXPENDITURES:					
GENERAL GOVERNMENT		53,967	46,224	81,440	181,631
LEGISLATIVE AND JUDICIAL		189	2,004	131	2,324
COMMERCE		1,165	25,792	6	26,963
EDUCATION AND HUMANITIES		480,594	51,613	147	532,354
HUMAN RESOURCES		2,500,608	305,763	(127)	2,806,244
JUSTICE		9,388	27,839		37,227
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION		34,946	15,873	8	50,827
PUBLIC PROTECTION AND REGULATION		4,637	53,135		57,772
TRANSPORTATION	766,519	262,869	27,435		1,056,823
TOTAL EXPENDITURES	<u>766,519</u>	<u>3,348,363</u>	<u>555,678</u>	<u>81,605</u>	<u>4,752,165</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>170,087</u>	<u>44,620</u>	<u>5,596</u>	<u>38,231</u>	<u>258,534</u>
OTHER FINANCING SOURCES (USES):					
OPERATING TRANSFERS IN	224	684	242,188	351,379	594,475
OPERATING TRANSFERS OUT	(159,511)	(12,906)	(147,226)	(383,033)	(702,676)
TRANSFERS TO COMPONENT UNITS			(62,466)		(62,466)
CAPITALIZED LEASES			225		225
TOTAL OTHER FINANCING SOURCES (USES)	<u>(159,287)</u>	<u>(12,222)</u>	<u>32,721</u>	<u>(31,654)</u>	<u>(170,442)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	10,800	32,398	38,317	6,577	88,092
FUND BALANCES AT JULY 1, AS RESTATED	626,864	(30,389)	160,397	372,658	1,129,530
INCREASE (DECREASE) IN INVENTORIES	(929)	79	387	1	(462)
INCREASE (DECREASE) IN RESERVE FOR DEPOSIT WITH FISCAL AGENTS	(1,687)				(1,687)
FUND BALANCES AT JUNE 30	<u>\$ 635,048</u>	<u>\$ 2,088</u>	<u>\$ 199,101</u>	<u>\$ 379,236</u>	<u>\$ 1,215,473</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	<u>June 30, 1996</u>
REVENUES:	
TAXES	\$ 783,630
LICENSES, FEES AND PERMITS	94,419
INTERGOVERNMENTAL	1,771
CHARGES FOR SERVICES	18,836
FINES AND FORFEITS	32
INTEREST AND OTHER INVESTMENT INCOME	35,036
OTHER REVENUES	<u>2,882</u>
TOTAL REVENUES	<u>936,606</u>
EXPENDITURES:	
TRANSPORTATION:	
GENERAL ADMINISTRATION AND SUPPORT	49,487
MOTOR VEHICLE REGULATION	34,742
JUSTICE - STATE POLICE	40,523
HIGHWAYS	640,132
OTHER	<u>1,635</u>
TOTAL EXPENDITURES	<u>766,519</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>170,087</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	224
OPERATING TRANSFERS OUT	<u>(159,511)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(159,287)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	10,800
FUND BALANCE AT JULY 1	626,864
INCREASE (DECREASE) IN INVENTORIES	(929)
INCREASE (DECREASE) IN RESERVE FOR DEPOSIT WITH FISCAL AGENTS	(1,687)
FUND BALANCE AT JUNE 30	<u>\$ 635,048</u>

**COMMONWEALTH OF KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 784,960	\$ 790,182	\$ 5,222	\$	\$	\$
LICENSES, FEES, AND PERMITS	92,098	93,283	1,185			
CHARGES FOR SERVICES	18,915	18,819	(96)			
FINES AND FORFEITS	75	33	(42)			
INTEREST AND OTHER INVESTMENT INCOME	28,200	33,941	5,741			
OTHER REVENUES	3,525	1,012	(2,513)			
TOTAL BUDGETED REVENUES	927,773	937,270	9,497			
NON-BUDGETED:						
TAXES						
LICENSES, FEES, AND PERMITS					15	
INTERGOVERNMENTAL		1,004	1,004		2,863,032	
CHARGES FOR SERVICES					1,351	
FINES AND FORFEITS					9	
INTEREST AND OTHER INVESTMENT INCOME					293	
EMPLOYER CONTRIBUTIONS						
OTHER REVENUES		1,637	1,637		59,069	
TRANSFERS IN (INTERFUND)		224	224		721	
TRANSFERS IN (INTRAFUND)		81	81		1,630	
TOTAL NON-BUDGETED REVENUE		2,946	2,946		2,926,120	
TOTAL REVENUES	927,773	940,216	12,443		2,926,120	
EXPENDITURES:						
GENERAL GOVERNMENT:						
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT						
CAMPBELL COUNTY FEES						
DAVISS COUNTY FEES						
FAYETTE COUNTY FEES						
HARDIN COUNTY FEES						
JEFFERSON COUNTY FEES						
KENTON COUNTY FEES						
PIKE COUNTY FEES						
WARREN COUNTY FEES						
UNIFIED PROSECUTORIAL SYSTEM:						
COMMONWEALTH ATTORNEYS				312	271	41
COUNTY ATTORNEYS						
DEPARTMENT OF AGRICULTURE				1,316	1,159	157
OFFICE OF THE ATTORNEY GENERAL				1,273	1,135	138
AUDITOR OF PUBLIC ACCOUNTS						
REGISTRY OF ELECTION FINANCE						
MILITARY AFFAIRS:						
DISASTER AND EMERGENCY SERVICES				22,954	19,621	3,333
GENERAL OPERATIONS						
KENTUCKY RETIREMENT SYSTEMS						
LOCAL GOVERNMENT -						
VARIOUS AREA DEVELOPMENT DISTRICTS				36,957	31,996	4,961
SECRETARY OF STATE						
DEPARTMENT OF THE TREASURY						
BOARD OF:						
ACCOUNTANCY						
AUCTIONEERS						
BARBERING						
CHIROPRACTIC EXAMINERS						
DENTISTRY						
DIETITIANS AND NUTRITIONISTS						
ELECTIONS						
EMBALMERS AND FUNERAL HOME DIRECTORS						
EXAMINERS AND REGISTRATION OF ARCHITECTS						

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$
			784,960	790,182	5,222
			92,098	93,283	1,185
			18,915	18,819	(96)
			75	33	(42)
			28,200	33,941	5,741
			3,525	1,012	(2,513)
			927,773	937,270	9,497
	208,173			208,173	
	52,382			52,397	
	48,477			2,912,513	
	1,009,191			1,010,542	
	2,375			2,384	
	43,604			43,897	
	74			74	
	118,515			179,221	
	288,803			289,748	
	652,630			654,341	
	2,424,224			5,353,290	
	2,424,224			6,290,560	
40		40	40		40
1,863	2,209	(346)	1,863	2,209	(346)
2,568	2,914	(346)	2,568	2,914	(346)
6,367	6,834	(467)	6,367	6,834	(467)
1,750	2,372	(622)	1,750	2,372	(622)
18,454	21,113	(2,659)	18,454	21,113	(2,659)
3,419	3,569	(150)	3,419	3,569	(150)
1,939	2,118	(179)	1,939	2,118	(179)
2,062	2,393	(331)	2,062	2,393	(331)
480	410	70	792	681	111
120	68	52	120	68	52
2,225	1,964	261	3,541	3,123	418
2,547	1,822	725	3,820	2,957	863
2,779	2,526	253	2,779	2,526	253
118	77	41	118	77	41
739	545	194	23,693	20,166	3,527
10,606	8,003	2,603	10,606	8,003	2,603
10,443	9,887	556	10,443	9,887	556
556	254	302	37,513	32,250	5,263
100		100	100		100
223	220	3	223	220	3
484	457	27	484	457	27
257	169	88	257	169	88
173	173		173	173	
118	118		118	118	
282	281	1	282	281	1
33	32	1	33	32	1
136	73	63	136	73	63
161	122	39	161	122	39
149	149		149	149	

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
EXAMINERS AND REGISTRATION OF LANDSCAPE ARCHITECTS						
EXAMINERS OF PSYCHOLOGISTS						
EXAMINERS OF SOCIAL WORKERS						
HAIRDRESSERS AND COSMETOLOGISTS						
LICENSING HEARING AID DEALERS AND FITTERS						
LICENSURE FOR NURSING HOME ADMINISTRATORS						
MEDICAL LICENSURE						
NURSING						
OPHTHALMIC DISPENSERS						
OPTOMETRIC EXAMINERS						
ART THERAPISTS						
OCCUPATIONAL THERAPY						
RESPIRATORY CARE PRACTITIONERS						
MARRIAGE AND FAMILY THERAPISTS						
BOARD OF:						
GEOLOGISTS						
PHARMACY						
PHYSICAL THERAPISTS						
PODIATRY						
REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS						
SPEECH PATHOLOGY AND AUDIOLOGY						
VETERINARY EXAMINERS						
KENTUCKY ATHLETICS COMMISSION						
EXECUTIVE BRANCH ETHICS COMMISSION						
REAL ESTATE COMMISSION - ADMINISTRATION						
EDUCATION RESEARCH AND TRAINING						
REAL ESTATE APPRAISER BOARD						
COMMISSION ON WOMEN						
COMMISSION ON HUMAN RIGHTS				125	77	48
COUNCIL ON HIGHER EDUCATION				5,922	2,982	2,940
PERSONNEL CABINET						
DEFERRED COMPENSATION SYSTEM						
EASTERN KENTUCKY UNIVERSITY						
KENTUCKY STATE UNIVERSITY						
MOREHEAD STATE UNIVERSITY						
MURRAY STATE UNIVERSITY						
NORTHERN KENTUCKY UNIVERSITY						
UNIVERSITY OF KENTUCKY						
UNIVERSITY OF KENTUCKY - COMMUNITY COLLEGE SYSTEM						
UNIVERSITY OF LOUISVILLE						
WESTERN KENTUCKY UNIVERSITY						
REVENUE CABINET:						
ADMINISTRATION						
DEPARTMENT OF TAX COMPLIANCE	1,092	1,088	4	215	50	165
DEPARTMENT OF PROPERTY TAXATION	260	260				
OFFICE OF PROPERTY VALUATION ADMINISTRATORS						
FINANCE AND ADMINISTRATION:						
OFFICE OF THE SECRETARY	125		125	41,321	33,967	7,354
OFFICE OF THE CONTROLLER				41,630	2,987	38,643
OFFICE OF MANAGEMENT SERVICES						
CAPITAL PLAZA AUTHORITY						
KENTUCKY VETERANS CENTER						
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY				1,117	776	341

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
42	34	8	42	34	8
142	141	1	142	141	1
101	74	27	101	74	27
578	503	75	578	503	75
25	25		25	25	
57	57		57	57	
1,281	1,135	146	1,281	1,135	146
1,935	1,845	90	1,935	1,845	90
21	17	4	21	17	4
105	105		105	105	
16	7	9	16	7	9
25	22	3	25	22	3
66	54	12	66	54	12
30	18	12	30	18	12
68	47	21	68	47	21
543	487	56	543	487	56
191	183	8	191	183	8
9	6	3	9	6	3
922	890	32	922	890	32
44	44		44	44	
75	69	6	75	69	6
64	54	10	64	54	10
8	4	4	8	4	4
1,079	1,021	58	1,079	1,021	58
819	812	7	819	812	7
293	291	2	293	291	2
15	13	2	15	13	2
51		51	176	77	99
50	45	5	5,972	3,027	2,945
1,341	1,329	12	1,341	1,329	12
1,657	1,640	17	1,657	1,640	17
92,140	77,818	14,322	92,140	77,818	14,322
20,287	20,207	80	20,287	20,207	80
48,865	47,607	1,258	48,865	47,607	1,258
41,427	40,859	568	41,427	40,859	568
50,010	46,481	3,529	50,010	46,481	3,529
532,209	516,350	15,859	532,209	516,350	15,859
93,183	43,636	49,547	93,183	43,636	49,547
216,689	41,137	175,552	216,689	41,137	175,552
64,468	57,836	6,632	64,468	57,836	6,632
163	163		163	163	
1,134	1,133	1	2,441	2,271	170
1,561	1,560	1	1,821	1,820	1
2,049	1,501	548	2,049	1,501	548
1,862	1,558	304	43,308	35,525	7,783
1,147	1,118	29	42,777	4,105	38,672
15	8	7	15	8	7
629	496	133	629	496	133
7,033	6,792	241	7,033	6,792	241
11,053	10,061	992	12,170	10,837	1,333

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
OFFICE OF GEOGRAPHIC INFORMATION						
COUNTY COSTS - PUBLIC DEFENDER PROGRAM						
DEPARTMENT FOR ADMINISTRATION	246	241	5			
OFFICE OF GOVERNMENTAL SERVICES CENTER						
DEPARTMENT FOR FACILITIES MANAGEMENT						
TOTAL GENERAL GOVERNMENT	1,723	1,589	134	153,142	95,021	58,121
LEGISLATIVE AND JUDICIAL:						
GENERAL ASSEMBLY - LONG TERM POLICY						
RESEARCH CENTER AND ETHICS COMMISSION						
LEGISLATIVE RESEARCH COMMISSION				1		1
JUDICIAL FORM RETIREMENT SYSTEM						
COURT OF JUSTICE				238	181	57
TOTAL LEGISLATIVE AND JUDICIAL				239	181	58
COMMERCE:						
ECONOMIC DEVELOPMENT -						
ADMINISTRATION AND SUPPORT						
FINANCIAL INCENTIVES						
JOB DEVELOPMENT						
COMMUNITY DEVELOPMENT				1,059	634	425
TOURISM -						
OFFICE OF THE SECRETARY				69	68	1
TRAVEL DEVELOPMENT				25	22	3
DEPARTMENT OF PARKS				13	13	
DEPARTMENT OF FISH AND WILDLIFE				600	425	175
RESOURCES						
TOTAL COMMERCE				1,766	1,162	604
EDUCATION AND HUMANITIES:						
COMMISSION ON THE DEAF AND HARD OF HEARING						
ENVIRONMENTAL EDUCATION COUNCIL						
KENTUCKY HERITAGE COUNCIL				792	783	9
KENTUCKY ARTS COUNCIL				865	635	230
OFFICE OF THE SECRETARY						
EDUCATION -						
EXECUTIVE POLICY AND MANAGEMENT				484	453	31
MANAGEMENT SUPPORT SERVICES				129,899	121,514	8,385
LEARNING RESULTS SERVICES				2,279	1,997	282
LEARNING SUPPORT SERVICES				206,800	199,153	7,647
KENTUCKY EDUCATIONAL TELEVISION				419	34	385
KENTUCKY HISTORICAL SOCIETY				121	54	67
LIBRARIES AND ARCHIVES -						
DIRECT LOCAL AID				1,206	1,086	120
GENERAL OPERATIONS				1,452	1,072	380
TEACHERS RETIREMENT SYSTEM						
WORKFORCE DEVELOPMENT -						
OFFICE OF THE SECRETARY						
JOB TRAINING COORDINATING COUNCIL				168	139	29
GENERAL ADMINISTRATION & PROGRAM SUPPORT				10,497	7,603	2,894
BOARD OF PROPRIETARY EDUCATION						
STATE ADVISORY COUNCIL FOR						
VOCATIONAL EDUCATION				156	130	26
DEPARTMENT FOR THE BLIND				6,915	6,146	769
OFFICE OF TRAINING AND REEMPLOYMENT				65,161	30,602	34,559
DEPARTMENT FOR EMPLOYMENT SERVICES				48,527	45,348	3,179
DEPARTMENT FOR TECHNICAL EDUCATION				27,215	20,335	6,880
DEPARTMENT FOR ADULT EDUCATION & LITERACY				9,890	8,337	1,553
DEPARTMENT OF VOCATIONAL REHABILITATION				36,572	35,293	1,279
TOTAL EDUCATION AND HUMANITIES				549,418	480,714	68,704

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
115		115	115		115
377	375	2	377	375	2
2,449	2,424	25	2,695	2,665	30
1,278	1,117	161	1,278	1,117	161
35		35	35		35
<u>1,273,022</u>	<u>1,002,081</u>	<u>270,941</u>	<u>1,427,887</u>	<u>1,098,691</u>	<u>329,196</u>
493	79	414	493	79	414
1,152	33	1,119	1,153	33	1,120
90	83	7	90	83	7
2,595	1,864	731	2,833	2,045	788
<u>4,330</u>	<u>2,059</u>	<u>2,271</u>	<u>4,569</u>	<u>2,240</u>	<u>2,329</u>
303	250	53	303	250	53
1,529	1,247	282	1,529	1,247	282
895	435	460	1,954	1,069	885
7	7		69	68	1
			32	29	3
			13	13	
			600	425	175
<u>24,888</u>	<u>24,735</u>	<u>153</u>	<u>24,888</u>	<u>24,735</u>	<u>153</u>
<u>27,622</u>	<u>26,674</u>	<u>948</u>	<u>29,388</u>	<u>27,836</u>	<u>1,552</u>
218	77	141	218	77	141
225	146	79	225	146	79
199	161	38	991	944	47
306	288	18	1,171	923	248
97	19	78	97	19	78
432	294	138	916	747	169
2,192	2,023	169	132,091	123,537	8,554
519	372	147	2,798	2,369	429
1,559	1,152	407	208,359	200,305	8,054
2,388	1,322	1,066	2,807	1,356	1,451
339	316	23	460	370	90
5	4	1	1,211	1,090	121
1,119	883	236	2,571	1,955	616
3,425	3,384	41	3,425	3,384	41
4,865	4,458	407	168	139	29
103	102	1	15,362	12,061	3,301
			103	102	1
1,845	1,691	154	156	130	26
30	5	25	8,760	7,837	923
2,759	2,754	5	65,191	30,607	34,584
34,809	33,292	1,517	51,286	48,102	3,184
2,212	1,028	1,184	62,024	53,627	8,397
2,724	2,177	547	12,102	9,365	2,737
<u>62,370</u>	<u>55,948</u>	<u>6,422</u>	<u>39,296</u>	<u>37,470</u>	<u>1,826</u>
			<u>611,788</u>	<u>536,662</u>	<u>75,126</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
HUMAN RESOURCES:						
EXECUTIVE OFFICE OF SUPPORT SERVICES				14,589	14,214	375
DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION SERVICES				30,268	24,777	5,491
DEPARTMENT FOR HEALTH SERVICES				132,370	126,981	5,389
COMMISSION FOR SPECIAL NEEDS CHILDREN				4,948	4,630	318
HEALTH PURCHASING ALLIANCE						
DEPARTMENT FOR SOCIAL INSURANCE - PROGRAMS				98,932	82,797	16,135
BENEFITS				189,214	164,953	24,261
DEPARTMENT FOR MEDICAID SERVICES - PROGRAMS				33,597	19,782	13,815
BENEFITS				1,508,819	1,438,294	70,525
KENTUCKY HEALTH POLICY BOARD						
DEPARTMENT FOR SOCIAL SERVICES				151,177	149,676	1,501
TOTAL HUMAN RESOURCES				2,163,914	2,026,104	137,810
JUSTICE:						
ADMINISTRATION				9,331	4,206	5,125
DEPARTMENT OF STATE POLICE	40,407	40,407		6,814	4,636	2,178
DEPARTMENT OF CRIMINAL JUSTICE TRAINING						
DEPARTMENT OF CORRECTIONS - MANAGEMENT				542	230	312
ADULT INSTITUTIONS				1,712	491	1,221
COMMUNITY SERVICE AND LOCAL FACILITIES				824	479	345
TOTAL JUSTICE	40,407	40,407		19,223	10,042	9,181
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:						
OFFICE OF THE SECRETARY				2,245	1,985	260
KENTUCKY RIVER AUTHORITY						
ENVIRONMENTAL QUALITY COMMISSION						
KENTUCKY NATURE PRESERVES COMMISSION				80	78	2
DEPARTMENT FOR ENVIRONMENTAL PROTECTION				13,017	10,720	2,297
DEPARTMENT FOR NATURAL RESOURCES				2,743	1,876	867
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT - SURFACE MINING RECLAMATION & ENFORCEMENT				14,835	12,976	1,859
AML RECLAMATION PROJECTS				22,455	7,488	14,967
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION				55,375	35,123	20,252
PUBLIC PROTECTION AND REGULATION:						
BOARD OF CLAIMS AND CRIME VICTIMS COMPENSATION				351	284	67
BACKSIDE IMPROVEMENT COMMISSION						
KENTUCKY RACING COMMISSION						
PUBLIC SERVICE COMMISSION				237	233	4
DEPARTMENT: FOR PUBLIC ADVOCACY				1,430	1,045	385
OF ALCOHOLIC BEVERAGE CONTROL						
OF FINANCIAL INSTITUTIONS						
OF HOUSING, BUILDING, AND CONSTRUCTION						
OF INSURANCE						
FOR MINES AND MINERALS				757	582	175

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
9,422	6,579	2,843	24,011	20,793	3,218
92,095	79,399	12,696	122,363	104,176	18,187
9,286	8,301	985	141,656	135,282	6,374
2,561	2,548	13	7,509	7,178	331
3,060	2,331	729	3,060	2,331	729
27,125	24,194	2,931	126,057	106,991	19,066
8,931	2,419	6,512	198,145	167,372	30,773
9,215	2,302	6,913	42,812	22,084	20,728
187,185	145,439	41,746	1,696,004	1,583,733	112,271
549	107	442	549	107	442
12,911	10,189	2,722	164,088	159,865	4,223
<u>362,340</u>	<u>283,808</u>	<u>78,532</u>	<u>2,526,254</u>	<u>2,309,912</u>	<u>216,342</u>
2,484	1,718	766	11,815	5,924	5,891
6,715	6,715		53,936	51,758	2,178
18,766	17,393	1,373	18,766	17,393	1,373
110	97	13	652	327	325
5,808	4,118	1,690	7,520	4,609	2,911
578	536	42	1,402	1,015	387
<u>34,461</u>	<u>30,577</u>	<u>3,884</u>	<u>94,091</u>	<u>81,026</u>	<u>13,065</u>
1,015	340	675	3,260	2,325	935
1,117	807	310	1,117	807	310
10		10	10		10
512	227	285	592	305	287
17,390	11,715	5,675	30,407	22,435	7,972
6,435	3,227	3,208	9,178	5,103	4,075
5,966	4,107	1,859	20,801	17,083	3,718
			22,455	7,488	14,967
<u>32,445</u>	<u>20,423</u>	<u>12,022</u>	<u>87,820</u>	<u>55,546</u>	<u>32,274</u>
1,256	820	436	1,607	1,104	503
219	107	112	219	107	112
15,155	14,203	952	15,155	14,203	952
23	11	12	260	244	16
2,757	1,853	904	4,187	2,898	1,289
515	511	4	515	511	4
6,560	6,550	10	6,560	6,550	10
25,905	25,210	695	25,905	25,210	695
10,108	6,918	3,190	10,108	6,918	3,190
850	154	696	1,607	736	871

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LABOR CABINET -						
OFFICE OF THE SECRETARY						
OCCUPATIONAL SAFETY AND HEALTH						
REVIEW COMMISSION				191	175	16
WORKPLACE STANDARDS				2,965	2,584	381
TOTAL PUBLIC PROTECTION AND REGULATION				5,931	4,903	1,028
TRANSPORTATION:						
ADMINISTRATION & SUPPORT	56,097	48,754	7,343			
REVENUE SHARING	283,684	219,528	64,156			
AIR TRANSPORTATION				377	182	195
HIGHWAYS	919,050	440,199	478,851	794,196	257,936	536,260
HIGHWAYS-PUBLIC TRANSPORTATION				6,256	5,018	1,238
RAIL TRANSPORTATION				436	122	314
VEHICLE REGULATION	23,801	21,419	2,382	3,367	1,891	1,476
DEBT SERVICE	155,650	155,650				
TRANSFERS TO CAPITAL CONSTRUCTION	5,857	5,857				
ROAD FUND JUDGEMENTS	19,278	105	19,173			
1990 ECONOMIC DEVELOPMENT BOND PROJECTS						
TOTAL TRANSPORTATION	1,463,417	891,512	571,905	804,632	265,149	539,483
TOTAL EXPENDITURES	1,505,547	933,508	572,039	3,753,640	2,918,399	835,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(577,774)	6,708	584,482		7,721	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY	338	338				
HUMAN RESOURCES	3	3				
MOTOR POOL RECEIPTS						
TOTAL OTHER FINANCING SOURCES (USES)	341	341				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(577,433)	7,049			7,721	
FUND BALANCES AT JULY 1	616,170	616,170			16,629	
NON-BUDGETED ITEMS		(109)	(109)		(9,825)	
FUND BALANCES AT JUNE 30	\$ 38,737	\$ 623,110	\$ 584,373	\$	\$ 14,525	\$

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
3,197	2,973	224	3,197	2,973	224
			191	175	16
			2,965	2,584	381
66,545	59,310	7,235	72,476	64,213	8,263
18,447	16,863	1,584	74,544	65,617	8,927
116	55	61	283,684	219,528	64,156
45,031	11,261	33,770	493	237	256
66		66	1,758,277	709,396	1,048,881
3,895	1,875	2,020	6,322	5,018	1,304
			436	122	314
			31,063	25,185	5,878
			155,650	155,650	
			5,857	5,857	
			19,278	105	19,173
282,461	70,122	212,339	282,461	70,122	212,339
350,016	100,176	249,840	2,618,065	1,256,837	1,361,228
2,213,151	1,581,056	632,095	7,472,338	5,432,963	2,039,375
	843,168			857,597	
			338	338	
	16,974		3	3	
	16,974			16,974	
			341	17,315	
	860,142			874,912	
	786,429			1,419,228	
	(868,650)			(878,584)	
\$	\$ 777,921	\$	\$	\$ 1,415,556	\$

DEBT SERVICE FUND

The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1996
(Expressed in Thousands)

	June 30, 1996
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 47,829
CASH WITH FISCAL AGENTS	31,974
INVESTMENTS, NET OF AMORTIZATION	265,979
RECEIVABLES, NET	101,874
INTERFUND RECEIVABLES	345
TOTAL ASSETS	\$ 448,001
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 1,536
INTERFUND PAYABLES	26,822
DEFERRED REVENUE	100,530
TOTAL LIABILITIES	128,888
FUND BALANCE:	
RESERVED FOR:	
REVENUE BOND RETIREMENT	273,319
UNRESERVED:	
DESIGNATED FOR DEBT SERVICE	45,794
TOTAL FUND BALANCE	319,113
TOTAL LIABILITIES AND FUND BALANCE	\$ 448,001

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
REVENUES:	
CHARGES FOR SERVICES	\$ 423
INTEREST AND OTHER INVESTMENT INCOME	23,927
OTHER REVENUES	<u>173</u>
TOTAL REVENUES	<u>24,523</u>
EXPENDITURES:	
PRINCIPAL RETIREMENT	217,140
INTEREST AND FISCAL CHARGES	171,564
OTHER EXPENDITURES	<u>3,426</u>
TOTAL EXPENDITURES	<u>392,130</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(367,607)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN - GENERAL FUND	114,306
OPERATING TRANSFERS IN - CAPITAL PROJECTS FUND	25,523
OPERATING TRANSFERS IN - AGENCY REVENUE FUND	64,943
OPERATING TRANSFERS IN - OTHER SPECIAL REVENUE FUND	151,527
OPERATING TRANSFERS IN - STATE FAIR BOARD FUND	371
OPERATING TRANSFERS OUT - GENERAL FUND	(26,568)
OPERATING TRANSFERS OUT - CAPITAL PROJECTS FUND	(1,448)
PROCEEDS FROM SALE OF BONDS:	
NEW ISSUES	1,973
REFUNDING ISSUES	140,503
PAYMENTS TO REFUNDED BOND ESCROW AGENT	<u>(142,038)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>329,092</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(38,515)
FUND BALANCE AT JULY 1, AS RESTATED	357,628
FUND BALANCE AT JUNE 30	<u>\$ 319,113</u>

CAPITAL PROJECTS FUND

The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1996
(Expressed in Thousands)

	<u>June 30, 1996</u>
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 32,215
INVESTMENTS, NET OF AMORTIZATION	300,673
RECEIVABLES, NET	8,822
INTERFUND RECEIVABLES	3,894
TOTAL ASSETS	<u>\$ 345,604</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 8,660
INTERFUND PAYABLES	794
DEFERRED REVENUE	16,240
TOTAL LIABILITIES	<u>25,694</u>
FUND BALANCE:	
RESERVED FOR:	
ENCUMBRANCES	37,267
CAPITAL OUTLAY	121,708
UNRESERVED:	
UNDESIGNATED	160,935
TOTAL FUND BALANCE	<u>319,910</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 345,604</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	June 30, 1996
REVENUES:	
INTERGOVERNMENTAL	\$ 33,517
INTEREST AND OTHER INVESTMENT INCOME	19,817
OTHER REVENUES	2,457
TOTAL REVENUES	<u>55,791</u>
EXPENDITURES:	
CAPITAL OUTLAY:	
GENERAL GOVERNMENT	15,440
LEGISLATIVE AND JUDICIAL	269
COMMERCE	25,001
EDUCATION AND HUMANITIES	7,848
HUMAN RESOURCES	8,037
JUSTICE	11,220
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	4,461
PUBLIC PROTECTION AND REGULATION	386
TRANSPORTATION	6,583
TOTAL EXPENDITURES	<u>79,245</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,454)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	56,772
OPERATING TRANSFERS OUT	(46,831)
PROCEEDS FROM SALE OF BONDS : NEW ISSUES	<u>155,234</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>165,175</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	141,721
FUND BALANCE AT JULY 1, AS RESTATED	178,189
FUND BALANCE AT JUNE 30	<u>\$ 319,910</u>

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND - (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Appropriations		Expenditures		Unexpended Balances
	To Date	Prior Years	Current Year	Totals	
GENERAL GOVERNMENT					
CABINET OF THE GENERAL GOVERNMENT	\$ 98,130	\$ 27,967	\$ 8,219	\$ 36,186	\$ 61,944
REVENUE CABINET	3,086	1,607	909	2,516	570
FINANCE AND ADMINISTRATION CABINET	206,796	95,814	13,623	109,437	97,359
CABINET FOR UNIVERSITIES	2,069,128	742,905	61,407	804,312	1,264,816
TOTAL GENERAL GOVERNMENT	2,377,140	868,293	84,158	952,451	1,424,689
LEGISLATIVE AND JUDICIAL					
LEGISLATIVE CABINET	3,524	2,935	269	3,204	320
TOTAL LEGISLATIVE AND JUDICIAL	3,524	2,935	269	3,204	320
COMMERCE					
CABINET FOR ECONOMIC DEVELOPMENT	131,067	46,795	14,541	61,336	69,731
TOURISM CABINET	199,901	30,588	29,190	59,778	140,123
TOTAL COMMERCE	330,968	77,383	43,731	121,114	209,854
EDUCATION AND HUMANITIES					
EDUCATION, ARTS AND HUMANITIES CABINET	56,224	15,970	3,764	19,734	36,490
CABINET FOR WORKFORCE DEVELOPMENT	47,189	37,268	3,609	40,877	6,312
TOTAL EDUCATION AND HUMANITIES	103,413	53,238	7,373	60,611	42,802
HUMAN RESOURCES					
CABINET FOR HUMAN RESOURCES	67,174	29,163	8,212	37,375	29,799
TOTAL HUMAN RESOURCES	67,174	29,163	8,212	37,375	29,799
JUSTICE					
JUSTICE CABINET	85,776	51,500	10,444	61,944	23,832
TOTAL JUSTICE	85,776	51,500	10,444	61,944	23,832
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION					
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET	43,881	7,072	4,716	11,788	32,093
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	43,881	7,072	4,716	11,788	32,093
PUBLIC PROTECTION AND REGULATION					
PUBLIC PROTECTION AND REGULATION CABINET	915	733	92	825	90
LABOR CABINET	1,464	1,057	294	1,351	113
TOTAL PUBLIC PROTECTION AND REGULATION	2,379	1,790	386	2,176	203
TRANSPORTATION					
TRANSPORTATION CABINET	34,942	17,865	6,800	24,665	10,277
TOTAL TRANSPORTATION	34,942	17,865	6,800	24,665	10,277
TOTAL PROJECTS	\$ 3,049,197	\$ 1,109,239	\$ 166,089	\$ 1,275,328	\$ 1,773,869

ENTERPRISE FUNDS

The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

State Parks Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Lottery Corporation - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

Industries for the Blind Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department for the Blind.

State Horse Park Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund - accounts for insurance risk pools operated by the State. These include:

Kentucky Kare - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

Workers' Compensation Special Fund - provides benefits for workers with illnesses which are not attributable to one employer.

Petroleum Storage Tank Environmental Assurance Program - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

Mine Subsidence Insurance Program - to provide coverage against losses arising out of or due to mine subsidence within this state.

Bond Pool Program - to provide coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1996
(Expressed in Thousands)

	Kentucky		Industries		Totals	
	State Parks	Lottery Corporation	for the Blind	Horse Park	Insurance Administration	June 30, 1996
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 6,242	\$ 17,805	\$ 108	\$ 394	\$ 134,975	\$ 159,524
INVESTMENTS, NET OF AMORTIZATION		31,692			2,563	34,255
RECEIVABLES, NET	1,407	19,824	203	329	1,870	23,633
INTERFUND RECEIVABLES	114		22	2	916	1,054
INTEREST RECEIVABLE					4,992	4,992
INVENTORIES	3,649	3,044	204	312	19	7,228
PREPAID EXPENSES	16	192		13		221
TOTAL CURRENT ASSETS	11,428	72,557	537	1,050	145,335	230,907
OTHER ASSETS:						
LONG TERM INVESTMENTS	1,555	273,194	120	15	420,219	695,103
LONG-TERM RECEIVABLES		2,312				2,312
TOTAL OTHER ASSETS	1,555	275,506	120	15	420,219	697,415
FIXED ASSETS:						
LAND	10,678	423	50	2,954		14,105
IMPROVEMENTS OTHER THAN BUILDINGS	40,767	396		13,753		54,916
BUILDINGS	81,195		988	14,107		96,290
MACHINERY AND EQUIPMENT	17,573	41,865	223	2,929	4,261	66,851
LESS: ACCUMULATED DEPRECIATION	(73,859)	(37,025)	(815)	(19,275)	(1,690)	(132,664)
CONSTRUCTION IN PROGRESS	22,044	1,735		265		24,044
TOTAL FIXED ASSETS, NET	98,398	7,394	446	14,733	2,571	123,542
TOTAL ASSETS	\$ 111,381	\$ 355,457	\$ 1,103	\$ 15,798	\$ 568,125	\$ 1,051,864
LIABILITIES AND FUND BALANCE						
CURRENT LIABILITIES:						
ACCOUNTS PAYABLE	\$ 3,518	\$ 6,939	\$ 51	\$ 257	\$ 6,255	\$ 17,020
INTERFUND PAYABLES	441		1	51	5,028	5,521
CLAIMS LIABILITY					178,169	178,169
CLAIMS ADJUSTMENT LIABILITY					7,080	7,080
CAPITAL LEASE OBLIGATIONS	106			16		122
NOTES PAYABLE		500				500
LONG-TERM DEBT		48,543				48,543
COMPENSATED ABSENCES	1,745	499	28	224	823	3,319
DEFERRED REVENUE	6		1		562	569
TOTAL CURRENT LIABILITIES	5,816	56,481	81	548	197,917	260,843
LONG-TERM LIABILITIES:						
CLAIMS LIABILITY					1,397,126	1,397,126
CLAIMS ADJUSTMENT LIABILITY					62,851	62,851
CAPITAL LEASE OBLIGATIONS	190			3		193
COMPENSATED ABSENCES	1,886		22	155	457	2,520
OTHER LIABILITIES	991	275,684			6,818	283,493
TOTAL LONG-TERM LIABILITIES	3,067	275,684	22	158	1,467,252	1,746,183
TOTAL LIABILITIES	8,883	332,165	103	706	1,665,169	2,007,026
FUND EQUITY:						
CONTRIBUTED CAPITAL	49,604			14,203	1	63,808
RETAINED EARNINGS:						
UNRESERVED	52,894	23,292	1,000	889	(1,097,045)	(1,018,970)
TOTAL FUND EQUITY	102,498	23,292	1,000	15,092	(1,097,044)	(955,162)
TOTAL LIABILITIES AND FUND EQUITY	\$ 111,381	\$ 355,457	\$ 1,103	\$ 15,798	\$ 568,125	\$ 1,051,864

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	State	Kentucky	Industries	Horse	Insurance	Totals
	Parks	Lottery	for the	Park	Administration	June 30, 1996
		Corporation	Blind			
OPERATING REVENUES:						
CHARGES FOR SERVICES	\$ 41,809	\$	\$ 1,708	\$ 3,877	\$ 282,260	\$ 329,654
INTEREST AND OTHER INVESTMENT INCOME					38,522	38,522
LOTTERY PROCEEDS		542,845				542,845
OTHER REVENUES	854			51	1,858	2,763
TOTAL OPERATING REVENUES	42,663	542,845	1,708	3,928	322,640	913,784
OPERATING EXPENSES:						
PERSONAL EXPENSES	37,822	9,286	1,115	3,296	21,960	73,479
UTILITIES, RENTALS, AND OTHER SERVICES	9,923	1,121	196	1,012	2,163	14,415
COMMODITIES AND SUPPLIES	31,996	196	945	1,148	573	34,858
GRANTS AND SUBSIDIES			100			100
DEPRECIATION AND AMORTIZATION	4,311	4,277	40	956	548	10,132
TRAVEL	323	509	3	10	502	1,347
CLAIMS EXPENSE	73				498,257	498,330
CLAIMS ADJUSTMENT EXPENSE					5,823	5,823
PRIZE EXPENSE		313,434				313,434
OTHER EXPENSES		62,470			155	62,625
TOTAL OPERATING EXPENSES	84,448	391,293	2,399	6,422	529,981	1,014,543
OPERATING INCOME (LOSS)	(41,785)	151,552	(691)	(2,494)	(207,341)	(100,759)
NONOPERATING REVENUES (EXPENSES)						
GAIN (LOSS) ON SALE OF FIXED ASSETS	(7)			(5)		(12)
INTEREST AND OTHER INVESTMENT INCOME	40	2,011		1	3,684	5,736
CHANGE IN ACTUARIAL ESTIMATE					60,103	60,103
INTEREST EXPENSE	(24)	(48)		(2)		(74)
OTHER REVENUES (EXPENSE)	6					6
TOTAL NONOPERATING REVENUES (EXPENSES)	15	1,963		(6)	63,787	65,759
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(41,770)	153,515	(691)	(2,500)	(143,554)	(35,000)
OPERATING TRANSFERS IN	40,637		862	1,430	1,230	44,159
OPERATING TRANSFERS OUT	(927)	(147,000)			(4,169)	(152,096)
NET INCOME (LOSS)	(2,060)	6,515	171	(1,070)	(146,493)	(142,937)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	839			807	1	1,647
INCREASE (DECREASE) IN RETAINED EARNINGS	(1,221)	6,515	171	(263)	(146,492)	(141,290)
RETAINED EARNINGS AT JULY 1, AS RESTATED	54,115	16,777	829	1,152	(950,553)	(877,680)
RETAINED EARNINGS AT JUNE 30	\$ 52,894	\$ 23,292	\$ 1,000	\$ 889	\$ (1,097,045)	\$ (1,018,970)

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	State Parks	Lottery Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 1,170	\$ 542,845
CASH RECEIVED FROM CUSTOMERS - STATE	40,144	
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(41,706)	(322,136)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(39,951)	(9,286)
CASH PAYMENTS FOR CLAIMS EXPENSE	(16)	
CASH PAYMENTS (TO) FROM OTHER SOURCES	854	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(39,505)</u>	<u>211,423</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
NONOPERATING FEES		349
OPERATING TRANSFERS-IN FROM OTHER FUNDS	40,637	
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(927)	(147,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>39,710</u>	<u>(146,651)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(636)	(3,993)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS		(2,000)
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS		(48)
PROCEEDS FROM SALE OF EQUIPMENT	(7)	339
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(643)</u>	<u>(5,702)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PURCHASE OF INVESTMENT SECURITIES		(83,526)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	12,573	24,692
INTEREST AND DIVIDENDS ON INVESTMENTS		1,323
NET CASH USED IN INVESTING ACTIVITIES	<u>12,573</u>	<u>(57,511)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,135	1,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(5,893)	16,246
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,242</u>	<u>\$ 17,805</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	\$ (41,785)	\$ 151,552
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	4,311	4,277
INTEREST AND OTHER INVESTMENT INCOME		
MISCELLANEOUS NONOPERATING INCOME (EXPENSE)	16	
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN RECEIVABLES, NET	(1,021)	(3,481)
(INCREASE) DECREASE IN INTERFUND RECEIVABLES	128	
(INCREASE) DECREASE IN INVENTORIES	139	(779)
(INCREASE) DECREASE IN PREPAID EXPENSES	(3)	(50)
(INCREASE) DECREASE IN OTHER ASSETS		128
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	789	59,602
INCREASE (DECREASE) IN INTERFUND PAYABLES	(44)	
INCREASE (DECREASE) IN CLAIMS LIABILITY		
INCREASE (DECREASE) IN CLAIMS ADJUSTMENT LIABILITY		
INCREASE (DECREASE) IN COMPENSATED ABSENCES	122	174
INCREASE (DECREASE) IN OTHER LIABILITIES	57	
INCREASE (DECREASE) IN DEFERRED REVENUE	(2,214)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (39,505)</u>	<u>\$ 211,423</u>

THROUGH CONTRIBUTED CAPITAL, STATE PARKS, AND HORSE PARK ACQUIRED FIXED ASSETS COSTING \$18,733,(000), AND \$303,(000), RESPECTIVELY. THROUGH CAPITAL LEASES, HORSE PARK ACQUIRED FIXED ASSETS COSTING \$4,(000), WITH PRINCIPAL PAYMENTS OF \$1,(000).

Industries for the Blind	Horse Park	Insurance Administration	Totals June 30,1996
\$ 1,363	\$ 3,791	\$ 290,107	\$ 839,276
329	31	1,274	41,778
(1,268)	(2,154)	(3,123)	(370,387)
(1,123)	(3,253)	(23,677)	(77,290)
	51	(288,253)	(288,269)
		(5,483)	(4,578)
<u>(699)</u>	<u>(1,534)</u>	<u>(29,155)</u>	<u>140,530</u>
			349
862	1,430	15,048	57,977
		(7,169)	(155,096)
<u>862</u>	<u>1,430</u>	<u>7,879</u>	<u>(96,770)</u>
		(822)	(5,451)
			(2,000)
	(5)		(48)
			327
	<u>(5)</u>	<u>(822)</u>	<u>(7,172)</u>
(90)		(1,030,727)	(1,114,343)
	101	1,042,225	1,079,591
		33,503	34,826
<u>(90)</u>	<u>101</u>	<u>45,001</u>	<u>74</u>
73	(8)	22,903	36,662
35	402	112,072	122,862
<u>\$ 108</u>	<u>\$ 394</u>	<u>\$ 134,975</u>	<u>\$ 159,524</u>
\$ (691)	\$ (2,494)	\$ (207,341)	\$ (100,759)
40	956	548	10,132
	(6)	(39,028)	(39,028)
		60,103	60,113
(33)	(47)	1,358	(3,224)
16	4	(45)	103
(10)	(12)	26	(636)
	7		(46)
			128
(14)	34	(11,618)	48,793
(3)	(1)	1,936	1,888
		163,528	163,528
		6,927	6,927
(5)	53	9	353
	(16)		41
1	(12)	(5,558)	(7,783)
<u>\$ (699)</u>	<u>\$ (1,534)</u>	<u>\$ (29,155)</u>	<u>\$ 140,530</u>

FOR THE LOTTERY CORPORATION, THE ACCRETION OF INTEREST ON GRAND PRIZE INVESTMENTS, WHICH ALSO INCREASED THE ESTIMATED PRIZE LIABILITY, TOTALED APPROXIMATELY \$16,553,(000) FOR THE YEAR.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	State Parks			Industries For The Blind		
		Actual	Variance	Budget	Actual	Variance
REVENUES:						
LICENSES, FEES, AND PERMITS	\$	\$ 2	\$	\$	\$	\$
CHARGES FOR SERVICES		38,425			1,699	
FINES AND FORFEITS		5				
INTEREST AND OTHER INVESTMENT INCOME		43				
OTHER REVENUES		875				
TRANSFERS IN (INTERFUND)						
TRANSFERS IN (INTRAFUND)		667				
TOTAL REVENUES		40,017			1,699	
EXPENSES:						
GENERAL GOVERNMENT:						
OFFICE OF THE ATTORNEY GENERAL						
PERSONNEL CABINET						
COMMERCE:	43,034	39,394	3,640			
EDUCATION AND HUMANITIES				1,786	1,526	260
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION:						
PETROLEUM STORAGE TANK						
ENVIRONMENTAL ASSURANCE FUND						
DEPARTMENT FOR SURFACE MINING						
RECLAMATION AND ENFORCEMENT						
PUBLIC PROTECTION AND REGULATION:						
SECRETARY'S OFFICE						
DEPARTMENT OF INSURANCE						
LABOR CABINET:						
KENTUCKY OCCUPATIONAL SAFETY &						
HEALTH REVIEW COMMISSION						
DEPARTMENT OF WORKPLACE						
STANDARDS						
DEPARTMENT OF WORKERS CLAIMS						
WORKERS COMPENSATION FUNDING						
COMMISSION						
TOTAL EXPENSES	43,034	39,394	3,640	1,786	1,526	260
EXCESS OF REVENUES OVER						
(UNDER) EXPENSES		623			173	
FUND BALANCES/FUND EQUITY AT JULY 1		87,580			591	
NON-BUDGETED ITEMS		(903)				
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 87,300	\$	\$	\$ 764	\$

Horse Park			Insurance Administration			Totals		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	3,836			158			160	
	1			137,415			181,375	
				797			803	
	48			6,469			6,512	
				22,135			23,058	
				40,784			40,784	
				249,785			250,452	
	3,885			457,543			503,144	
			6,476	3,754	2,722	6,476	3,754	2,722
			1,316	1,262	54	1,316	1,262	54
4,026	4,009	17				47,060	43,403	3,657
						1,786	1,526	260
			14,797	14,426	371	14,797	14,426	371
			1,127	89	1,038	1,127	89	1,038
			8,015	3,804	4,211	8,015	3,804	4,211
			360	63	297	360	63	297
			261	200	61	261	200	61
			167,411	139,441	27,970	167,411	139,441	27,970
			9,822	9,480	342	9,822	9,480	342
			185,150	158,477	26,673	185,150	158,477	26,673
4,026	4,009	17	394,735	330,996	63,739	443,581	375,925	67,656
				126,547			127,219	
	(124)			118,018			222,165	
	15,976			(98,641)			(99,544)	
\$	\$	\$	\$	\$	\$	\$	\$	\$
	15,852			145,924			249,840	

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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

Computer Services Fund - accounts for expenses incurred and reimbursements received by the Department of Information Systems for computer and related data processing services.

Central Stores Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Central Stores operation.

Telecommunications Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Telecommunications for Kentucky Emergency Warning System, telephone, and other communication services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received by the Correction Cabinet's industrial prison operations.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

Risk Management Fund - accounts for the self insurance operations of the State which include:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Department of Personnel from State agencies and expended for claims for job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1996**

(Expressed in Thousands)

<u>ASSETS</u>	<u>Computer Services</u>	<u>Central Stores</u>	<u>Telecom- munications</u>
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 336	\$ 318	\$ 964
RECEIVABLES, NET	109	8	140
INTERFUND RECEIVABLES	2,048	6	1,198
INVENTORIES	30	1,345	5
PREPAID EXPENSES	145		
TOTAL CURRENT ASSETS	<u>2,668</u>	<u>1,677</u>	<u>2,307</u>
OTHER ASSETS:			
LONG-TERM INVESTMENTS	351	135	388
TOTAL OTHER ASSETS	<u>351</u>	<u>135</u>	<u>388</u>
FIXED ASSETS:			
LAND		40	
IMPROVEMENTS OTHER THAN BUILDINGS		3	356
BUILDINGS	5,360	530	1,559
MACHINERY AND EQUIPMENT	49,934	153	15,844
LESS: ACCUMULATED DEPRECIATION	(44,292)	(520)	(16,507)
TOTAL FIXED ASSETS, NET	<u>11,002</u>	<u>206</u>	<u>1,252</u>
TOTAL ASSETS	<u>\$ 14,021</u>	<u>\$ 2,018</u>	<u>\$ 3,947</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,851	\$ 237	\$ 1,099
INTERFUND PAYABLES	588	3	421
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS	3,251		5
COMPENSATED ABSENCES	1,599	54	179
DEFERRED REVENUE	159	1	3
TOTAL CURRENT LIABILITIES	<u>7,448</u>	<u>295</u>	<u>1,707</u>
LONG-TERM LIABILITIES:			
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS	2,847		1
COMPENSATED ABSENCES	1,505	5	123
TOTAL LONG-TERM LIABILITIES	<u>4,352</u>	<u>5</u>	<u>124</u>
TOTAL LIABILITIES	<u>11,800</u>	<u>300</u>	<u>1,831</u>
FUND EQUITY:			
CONTRIBUTED CAPITAL			
RETAINED EARNINGS:			
UNRESERVED	2,221	1,718	2,116
TOTAL FUND EQUITY	<u>2,221</u>	<u>1,718</u>	<u>2,116</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 14,021</u>	<u>\$ 2,018</u>	<u>\$ 3,947</u>

<u>Prison Industries</u>	<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 1996</u>
\$ 985	\$ 193	\$ 1,667	\$ 10,430	\$ 14,893
214	37	15	1,625	2,148
2,920	554	698	60	7,484
2,927	379	259		4,945
		59	612	816
<u>7,046</u>	<u>1,163</u>	<u>2,698</u>	<u>12,727</u>	<u>30,286</u>
408	73	1,001	8,536	10,892
<u>408</u>	<u>73</u>	<u>1,001</u>	<u>8,536</u>	<u>10,892</u>
768		176		984
		11		370
2,475		752		10,676
5,185	2,417	2,056	35	75,624
(4,832)	(1,690)	(1,335)	(13)	(69,189)
<u>3,596</u>	<u>727</u>	<u>1,660</u>	<u>22</u>	<u>18,465</u>
<u>\$ 11,050</u>	<u>\$ 1,963</u>	<u>\$ 5,359</u>	<u>\$ 21,285</u>	<u>\$ 59,643</u>
\$ 498	\$ 174	\$ 524	\$ 1,133	\$ 5,516
376	34	178	2,034	3,634
	75		14,603	14,603
142	135	509	13	3,331
40	1	5	34	2,631
<u>1,056</u>	<u>419</u>	<u>1,216</u>	<u>17,817</u>	<u>29,958</u>
			54,666	54,666
	137			2,985
<u>115</u>	<u>93</u>	<u>476</u>		<u>2,317</u>
<u>115</u>	<u>230</u>	<u>476</u>	<u>54,666</u>	<u>59,968</u>
<u>1,171</u>	<u>649</u>	<u>1,692</u>	<u>72,483</u>	<u>89,926</u>
327		431		758
<u>9,552</u>	<u>1,314</u>	<u>3,236</u>	<u>(51,198)</u>	<u>(31,041)</u>
<u>9,879</u>	<u>1,314</u>	<u>3,667</u>	<u>(51,198)</u>	<u>(30,283)</u>
<u>\$ 11,050</u>	<u>\$ 1,963</u>	<u>\$ 5,359</u>	<u>\$ 21,285</u>	<u>\$ 59,643</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	<u>Computer Services</u>	<u>Central Stores</u>	<u>Telecom- munications</u>
OPERATING REVENUES:			
CHARGES FOR SERVICES	\$ 35,122	\$ 9,633	\$ 8,858
OTHER REVENUES	32		
TOTAL OPERATING REVENUE	<u>35,154</u>	<u>9,633</u>	<u>8,858</u>
OPERATING EXPENSES:			
PERSONAL SERVICES	18,371	487	2,557
UTILITIES, RENTALS, AND OTHER SERVICES	3,954	277	6,699
COMMODITIES AND SUPPLIES	6,642	8,683	714
GRANTS AND SUBSIDIES			
DEPRECIATION AND AMORTIZATION	4,559	27	315
TRAVEL	102		10
REINSURANCE EXPENSE			
CLAIMS EXPENSE	2		
TOTAL OPERATING EXPENSES	<u>33,630</u>	<u>9,474</u>	<u>10,295</u>
OPERATING INCOME (LOSS)	<u>1,524</u>	<u>159</u>	<u>(1,437)</u>
NONOPERATING REVENUES (EXPENSES)			
GAIN (LOSS) ON SALE OF FIXED ASSETS	(24)		(1)
INTEREST AND OTHER INVESTMENT INCOME	1		
INTEREST EXPENSE	(310)		(1)
TOTAL NONOPERATING REVENUES AND EXPENSES	<u>(333)</u>		<u>(2)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,191	159	(1,439)
OPERATING TRANSFERS IN	56		300
OPERATING TRANSFERS OUT	(444)		(17)
NET INCOME (LOSS)	803	159	(1,156)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS			
INCREASE (DECREASE) IN RETAINED EARNINGS	803	159	(1,156)
RETAINED EARNINGS AT JULY 1	1,418	1,559	3,272
RETAINED EARNINGS AT JUNE 30	<u>\$ 2,221</u>	<u>\$ 1,718</u>	<u>\$ 2,116</u>

Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 1996
\$ 10,395	\$ 4,534	\$ 15,296	\$ 25,246	\$ 109,084
416		51	442	941
<u>10,811</u>	<u>4,534</u>	<u>15,347</u>	<u>25,688</u>	<u>110,025</u>
2,392	1,960	9,350	1,370	36,487
769	960	6,910	1,195	20,764
5,368	1,536	1,798	34	24,775
667		1		668
343	203	292	7	5,746
42	2	35	17	208
			888	888
<u>12</u>			<u>27,697</u>	<u>27,711</u>
<u>9,593</u>	<u>4,661</u>	<u>18,386</u>	<u>31,208</u>	<u>117,247</u>
<u>1,218</u>	<u>(127)</u>	<u>(3,039)</u>	<u>(5,520)</u>	<u>(7,222)</u>
(5)	(70)	(74)		(174)
2		1		4
	<u>(20)</u>			<u>(331)</u>
<u>(3)</u>	<u>(90)</u>	<u>(73)</u>		<u>(501)</u>
1,215	(217)	(3,112)	(5,520)	(7,723)
		2,602	407	3,365
<u>(654)</u>		<u>(13)</u>	<u>(2,493)</u>	<u>(3,621)</u>
561	(217)	(523)	(7,606)	(7,979)
<u>43</u>		<u>27</u>		<u>70</u>
604	(217)	(496)	(7,606)	(7,909)
<u>8,948</u>	<u>1,531</u>	<u>3,732</u>	<u>(43,592)</u>	<u>(23,132)</u>
<u>\$ 9,552</u>	<u>\$ 1,314</u>	<u>\$ 3,236</u>	<u>\$ (51,198)</u>	<u>\$ (31,041)</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Computer Services	Central Stores	Telecom- munications
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 37	\$	\$ 2
CASH RECEIVED FROM CUSTOMERS - STATE	35,346	9,624	8,971
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(10,915)	(9,248)	(7,090)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(18,361)	(487)	(2,522)
CASH PAYMENTS FOR CLAIMS EXPENSE	(2)		
CASH PAYMENTS (TO) FROM OTHER SOURCES	32		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,137</u>	<u>(111)</u>	<u>(639)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
OPERATING TRANSFERS-IN FROM OTHER FUNDS	56		300
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(444)		(17)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(388)</u>		<u>283</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,204)		(114)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(4,011)		
PROCEEDS FROM SALE OF EQUIPMENT	(24)		
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,239)</u>		<u>(114)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
PURCHASE OF INVESTMENT SECURITIES	(351)	(45)	(93)
INTEREST AND DIVIDENDS ON INVESTMENTS	1		
NET CASH USED IN INVESTING ACTIVITIES	<u>(350)</u>	<u>(45)</u>	<u>(93)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	160	(156)	(563)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	176	474	1,527
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 336</u>	<u>\$ 318</u>	<u>\$ 964</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH			
PROVIDED BY OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ 1,524	\$ 159	\$ (1,437)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	4,559	27	315
INTEREST AND OTHER INVESTMENT INCOME	(1)		
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	(333)		(2)
CHANGE IN ASSETS AND LIABILITIES:			
(INCREASE) DECREASE IN RECEIVABLES, NET	(106)	(1)	(127)
(INCREASE) DECREASE IN INTERFUND RECEIVABLES	447	(6)	249
(INCREASE) DECREASE IN INVENTORIES	59	(147)	363
(INCREASE) DECREASE IN PREPAID EXPENSES	(69)		
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(65)	(124)	338
INCREASE (DECREASE) IN INTERFUND PAYABLES	90	(17)	(376)
INCREASE (DECREASE) IN CLAIMS LIABILITY			
INCREASE (DECREASE) IN COMPENSATED ABSENCES	112		45
INCREASE (DECREASE) IN DEFERRED REVENUE	(80)	(2)	(7)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,137</u>	<u>\$ (111)</u>	<u>\$ (639)</u>

THROUGH CONTRIBUTED CAPITAL PROPERTY MANAGEMENT ACQUIRED ASSETS COSTING \$60,(000). THROUGH CAPITAL LEASES COMPUTER SERVICES, ACQUIRED FIXED ASSETS COSTING \$3,044,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$533,(000) AND \$15,(000), RESPECTIVELY.

<u>Prison Industries</u>	<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 1996</u>
\$ 10,105	\$	\$ 129	\$ 23,186	\$ 33,459
480	4,433	15,406		74,260
(8,010)	(2,442)	(9,243)	(2,544)	(49,492)
(2,425)	(1,963)	(9,197)	(1,111)	(36,066)
(10)			(17,023)	(17,035)
		(23)		9
<u>140</u>	<u>28</u>	<u>(2,928)</u>	<u>2,508</u>	<u>5,135</u>
		2,802	407	3,565
(382)		(213)	(2,492)	(3,548)
<u>(382)</u>		<u>2,589</u>	<u>(2,085)</u>	<u>17</u>
(384)	(227)	(214)	(1)	(2,144)
	(153)			(4,164)
<u>272</u>		<u>4</u>		<u>252</u>
<u>(112)</u>	<u>(380)</u>	<u>(210)</u>	<u>(1)</u>	<u>(6,056)</u>
(130)		(276)	(4,046)	(4,941)
15	7		440	463
<u>(115)</u>	<u>7</u>	<u>(276)</u>	<u>(3,606)</u>	<u>(4,478)</u>
(469)	(345)	(825)	(3,184)	(5,382)
1,454	538	2,492	13,614	20,275
<u>\$ 985</u>	<u>\$ 193</u>	<u>\$ 1,667</u>	<u>\$ 10,430</u>	<u>\$ 14,893</u>
\$ 946	\$ (127)	\$ (3,039)	\$ (5,520)	\$ (7,494)
343	203	292	7	5,746
(2)		1	(440)	(442)
				(335)
14	(32)	6	266	20
(297)	(67)	53	(54)	325
(436)	8	99	(12)	(54)
		(14)	(12)	(95)
(414)	14	(284)	392	(143)
(16)	32	(178)	(744)	(1,209)
			8,617	8,617
9	(1)	148	(5)	308
(7)	(2)	(12)	1	(109)
<u>\$ 140</u>	<u>\$ 28</u>	<u>\$ (2,928)</u>	<u>\$ 2,508</u>	<u>\$ 5,135</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Budget	Actual	Variance
GENERAL GOVERNMENT - COMPUTER SERVICES			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 35,039	\$
OTHER REVENUES		32	
TRANSFERS IN (INTERFUND)		56	
TOTAL REVENUES		35,127	
EXPENSES	34,723	34,607	116
EXCESS OF REVENUES OVER (UNDER) EXPENSES		520	
FUND EQUITY AT JULY 1		13,918	
NON-BUDGETED ITEMS		(444)	
FUND EQUITY AT JUNE 30	\$	\$ 13,994	\$
GENERAL GOVERNMENT - CENTRAL STORES			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 9,632	\$
TOTAL REVENUES		9,632	
EXPENSES	10,029	9,736	293
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(104)	
FUND EQUITY AT JULY 1		814	
NON-BUDGET ITEMS		3	
FUND EQUITY AT JUNE 30	\$	\$ 713	\$
GENERAL GOVERNMENT - TELECOMMUNICATIONS			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 8,857	\$
TRANSFER IN (INTERFUND)		300	
TOTAL REVENUES		9,157	
EXPENSES	9,706	9,625	81
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(468)	
FUND EQUITY AT JULY 1		3,405	
FUND EQUITY AT JUNE 30	\$	\$ 2,937	\$
JUSTICE - PRISON INDUSTRIES			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 10,107	\$
INTEREST AND OTHER INVESTMENT INCOME		1	
OTHER REVENUES		417	
TOTAL REVENUES		10,525	
EXPENSES	10,898	10,581	317
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(56)	
FUND EQUITY AT JULY 1		7,278	
FUND EQUITY AT JUNE 30	\$	\$ 7,222	\$

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL GOVERNMENT - CENTRAL PRINTING			
REVENUES:			
CHARGES FOR SERVICES	\$ _____	\$ 4,529	\$ _____
TOTAL REVENUES		4,529	
EXPENSES			
EXCESS OF REVENUES OVER (UNDER) EXPENSES	5,217	4,710	507
FUND EQUITY AT JULY 1		1,839	
FUND EQUITY AT JUNE 30	\$ _____	\$ 1,658	\$ _____
GENERAL GOVERNMENT - PROPERTY MANAGEMENT			
REVENUES:			
CHARGES FOR SERVICES	\$ _____	\$ 15,333	\$ _____
INTERGOVERNMENTAL REVENUES		1	
OTHER REVENUES		53	
TOTAL REVENUES		15,387	
EXPENSES			
EXCESS OF REVENUES OVER (UNDER) EXPENSES	15,589	15,511	78
FUND EQUITY AT JULY 1		4,215	
NON-BUDGETED ITEMS		(13)	
FUND EQUITY AT JUNE 30	\$ _____	\$ 4,078	\$ _____
GENERAL GOVERNMENT - RISK MANAGEMENT			
REVENUES:			
LICENSES, FEES AND PERMITS	\$ _____	\$ 274	\$ _____
CHARGES FOR SERVICES		14,196	
INTEREST AND INVESTMENT INCOME		451	
OTHER REVENUES		4,827	
TRANSFERS IN (INTRAFUND)		407	
TOTAL REVENUES		20,155	
EXPENSES:			
PERSONNEL CABINET	15,325	12,443	2,882
DEPARTMENT OF INSURANCE	490	423	67
TOTAL EXPENSES	15,815	12,866	2,949
EXCESS OF REVENUES OVER (UNDER) EXPENSES		7,289	
FUND EQUITY AT JULY 1		14,484	
NON-BUDGETED ITEMS		(5,277)	
FUND EQUITY AT JUNE 30	\$ _____	\$ 16,496	\$ _____
TOTALS			
REVENUES:			
LICENSES, FEES AND PERMITS	\$ _____	\$ 274	\$ _____
INTERGOVERNMENTAL		1	
CHARGES FOR SERVICES		97,693	
INTEREST AND OTHER INVESTMENT INCOME		452	
OTHER REVENUES		5,329	
TRANSFERS IN		763	
TOTAL REVENUES		104,512	
EXPENSES:			
GENERAL GOVERNMENT	90,589	86,632	3,957
JUSTICE	10,898	10,581	317
PUBLIC PROTECTION AND REGULATION	490	423	67
TOTAL EXPENSES	101,977	97,636	4,341
EXCESS OF REVENUES OVER (UNDER) EXPENSES		6,876	
FUND EQUITY AT JULY 1		45,953	
NON-BUDGETED ITEMS		(5,731)	
FUND EQUITY AT JUNE 30	\$ _____	\$ 47,098	\$ _____

TRUST AND AGENCY FUNDS

Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

Expendable Trust Funds account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

Unemployment Compensation Fund - accounts for assessed employer contributions and related unemployment compensation payments.

Special Benefits Fund - accounts for other fiduciary monies to be expended only for designated operations.

Pension Trust Funds account for monies received for and expenses incurred by the various public employe retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

Kentucky Employes Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employes of any State department, board or agency directed by Executive Order to participate in the system.

State Police Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

County Employes Retirement System Fund - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

Kentucky Retirement System Insurance Fund - accounts for accident and health insurance benefits for members of the Kentucky Employes, State Police and County Employes Retirement Systems.

Teachers' Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

Judicial Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

Agency Funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

Kentucky Public Employees Deferred Compensation System - accounts for deferred portions of eligible Commonwealth, county, and local school district employees' salaries withheld and remitted to either of two independently administered plans created in accordance with Internal Revenue Code Section 401(k) or 457.

Kentucky Health Purchasing Alliance - accounts for insurance premiums collected from various state and local government units through a third party administrator.

Commonwealth Choice - accounts for flexible benefits spending accounts.

County Sinking Fund - accounts for monies generated through the sale of bonds for specific uses by the counties.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1996**

(Expressed in Thousands)

	Expendable Trust Funds		
	Unemployment Compensation	Special Benefits	Pension Trust
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 694	\$ 34,593	\$ 1,615,799
CASH WITH FISCAL AGENTS			
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT	485,612		
INVESTMENTS, NET OF AMORTIZATION		83,347	13,222,142
RECEIVABLES, NET	28,336	1,548	220,299
INTERFUND RECEIVABLES	1,745	10,778	
PREPAID EXPENSES			230
BUILDINGS			2,821
TOTAL ASSETS	<u>\$ 516,387</u>	<u>\$ 130,266</u>	<u>\$ 15,061,291</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 52,311	\$ 1,144	\$ 370,277
INTERFUND PAYABLES		2,323	
AMOUNTS HELD IN CUSTODY FOR OTHERS			
DEFERRED REVENUE	26,726	635	40
OTHER LIABILITIES			497
TOTAL LIABILITIES	<u>79,037</u>	<u>4,102</u>	<u>370,814</u>
FUND EQUITY			
FUND BALANCE:			
RESERVED FOR:			
EMPLOYEE RETIREMENT SYSTEMS			14,308,257
RETIREE'S HEALTH INSURANCE			382,220
UNRESERVED:			
UNDESIGNATED	437,350	126,164	
TOTAL FUND EQUITY	<u>437,350</u>	<u>126,164</u>	<u>14,690,477</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 516,387</u>	<u>\$ 130,266</u>	<u>\$ 15,061,291</u>

Agency Funds					
Deferred Compensation	Kentucky Health Purchasing Alliance	Commonwealth Choice Program	County Sinking Fund	Special Deposit Trust	Totals June 30, 1996
\$ 1,045	\$ 16,671	\$ 479	\$ 48 283	\$ 132,115	\$ 1,784,294 17,433 485,612
332,741 992			21	58,445 551 307	13,696,696 251,726 12,830 230 2,821
<u>\$ 334,778</u>	<u>\$ 16,671</u>	<u>\$ 479</u>	<u>\$ 352</u>	<u>\$ 191,418</u>	<u>\$ 16,251,642</u>
\$ 35	\$ 16,671	\$ 479	\$ 352	\$ 816 190,602	\$ 423,767 3,139 542,847 27,401 497
334,743					997,651
<u>334,778</u>	<u>16,671</u>	<u>479</u>	<u>352</u>	<u>191,418</u>	
					14,308,257 382,220
					563,514
					15,253,991
<u>\$ 334,778</u>	<u>\$ 16,671</u>	<u>\$ 479</u>	<u>\$ 352</u>	<u>\$ 191,418</u>	<u>\$ 16,251,642</u>

**COMMONWEALTH OF KENTUCKY
 COMBINING BALANCE SHEET
 PENSION TRUST FUNDS
 JUNE 30, 1996**

(Expressed in Thousands)

	Kentucky Employes Retirement System	State Police Retirement System	County Employes Retirement System
ASSETS			
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 402,025	\$ 18,928	\$ 491,817
INVESTMENTS, NET OF AMORTIZATION	3,405,124	249,217	2,720,073
ACCRUED INVESTMENT INCOME	40,455	2,863	29,137
RECEIVABLES, NET	14,298	649	34,055
PREPAID EXPENSES			
BUILDINGS			
TOTAL ASSETS	<u>\$ 3,861,902</u>	<u>\$ 271,657</u>	<u>\$ 3,275,082</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 204,455	\$ 13,858	\$ 123,408
DEFERRED REVENUE			
OTHER LIABILITIES			
TOTAL LIABILITIES	<u>204,455</u>	<u>13,858</u>	<u>123,408</u>
FUND EQUITY:			
FUND BALANCE:			
RESERVED FOR:			
EMPLOYEE RETIREMENT BENEFITS	3,657,447	257,799	3,151,674
RETIREE'S HEALTH INSURANCE			
TOTAL FUND EQUITY	<u>3,657,447</u>	<u>257,799</u>	<u>3,151,674</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,861,902</u>	<u>\$ 271,657</u>	<u>\$ 3,275,082</u>

Kentucky Retirement System Insurance	Teachers' Retirement System	Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1996
\$ 69,582	\$ 633,446	\$	\$ 1	\$ 1,615,799
316,684	6,345,815	147,011	38,218	13,222,142
3,274	54,057	938	232	130,956
7,888	32,410	43		89,343
	230			230
	2,821			2,821
<u>\$ 397,428</u>	<u>\$ 7,068,779</u>	<u>\$ 147,992</u>	<u>\$ 38,451</u>	<u>\$ 15,061,291</u>
\$ 15,208	\$ 13,348	\$	\$	\$ 370,277
	40			40
	497			497
<u>15,208</u>	<u>13,885</u>			<u>370,814</u>
	7,054,894	147,992	38,451	14,308,257
<u>382,220</u>				<u>382,220</u>
<u>382,220</u>	<u>7,054,894</u>	<u>147,992</u>	<u>38,451</u>	<u>14,690,477</u>
<u>\$ 397,428</u>	<u>\$ 7,068,779</u>	<u>\$ 147,992</u>	<u>\$ 38,451</u>	<u>\$ 15,061,291</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	Unemployment Compensation	Special Benefits	Totals June 30, 1996
REVENUES:			
TAXES	\$ 231,053	\$ 90	\$ 231,143
LICENSES, FEES, AND PERMITS		791	791
INTERGOVERNMENTAL	15,473	1,813	17,286
CHARGES FOR SERVICES	14	2	16
INTEREST AND OTHER INVESTMENT INCOME	32,688	5,296	37,984
OTHER REVENUES		5,131	5,131
TOTAL REVENUES	<u>279,228</u>	<u>13,123</u>	<u>292,351</u>
EXPENDITURES:			
GENERAL GOVERNMENT		13,496	13,496
LEGISLATIVE AND JUDICIAL		42	42
COMMERCE		9	9
EDUCATION AND HUMANITIES	255,333	10,381	265,714
HUMAN RESOURCES		2,160	2,160
PUBLIC PROTECTION AND REGULATION		2	2
TOTAL EXPENDITURES	<u>255,333</u>	<u>26,090</u>	<u>281,423</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,895</u>	<u>(12,967)</u>	<u>10,928</u>
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS IN	1,742	50,681	52,423
OPERATING TRANSFERS OUT	(1,340)	(13,503)	(14,843)
TOTAL OTHER FINANCING SOURCES (USES)	<u>402</u>	<u>37,178</u>	<u>37,580</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	24,297	24,211	48,508
FUND BALANCES AT JULY 1	413,053	101,953	515,006
FUND BALANCES AT JUNE 30	<u>\$ 437,350</u>	<u>\$ 126,164</u>	<u>\$ 563,514</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
PENSION TRUST FUND - KENTUCKY TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Totals
	June 30, 1996
OPERATING REVENUES:	
CONTRIBUTIONS	\$ 509,002
INTEREST AND OTHER INVESTMENT INCOME	775,807
TOTAL OPERATING REVENUES	<u>1,284,809</u>
OPERATING EXPENSES:	
ADMINISTRATIVE EXPENSES	6,589
DEPRECIATION AND AMORTIZATION	61,607
BENEFITS	388,760
REFUND OF CONTRIBUTIONS	8,418
OTHER EXPENSES	220
TOTAL OPERATING EXPENSES	<u>465,594</u>
NET INCOME (LOSS)	819,215
FUND EQUITY AT JULY 1	6,235,679
FUND EQUITY AT JUNE 30	<u>\$ 7,054,894</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN PLAN ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	Kentucky Employes Retirement System	State Police Retirement System	County Employes Retirement System
Additions:			
Contributions:			
Employer	\$ 113,717	\$ 7,089	\$ 131,612
Member	68,933	2,457	72,558
Total contributions	<u>182,650</u>	<u>9,546</u>	<u>204,170</u>
Appropriations for Administrative Expense			
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	1,043,006	80,696	899,766
Interest	86,293	5,803	58,260
Dividends	46,942	3,531	44,759
Income - Real Estate	10,484	713	8,949
Total Investment Income	<u>1,186,725</u>	<u>90,743</u>	<u>1,011,734</u>
Less: Investment Expense	12,830	868	10,828
Net Investment Income	<u>1,173,895</u>	<u>89,875</u>	<u>1,000,906</u>
Total Additions	<u>1,356,545</u>	<u>99,421</u>	<u>1,205,076</u>
Deductions:			
Benefit Payments	158,407	13,711	109,081
Refunds	7,485	31	8,945
Administrative Expense	2,284	44	3,217
Other Deductions (Net)	42,623	4,606	37,622
Total Deductions	<u>210,799</u>	<u>18,392</u>	<u>158,865</u>
Net Increase	1,145,746	81,029	1,046,211
Net Assets Held In Trust for Pension Benefits			
Beginning of Year	2,542,688	180,383	2,122,907
Adjustments to Net Assets	(30,987)	(3,613)	(17,444)
End of Year	<u>\$ 3,657,447</u>	<u>\$ 257,799</u>	<u>\$ 3,151,674</u>

Kentucky Retirement System Insurance	Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1996
\$ 84,841	\$ 4,203	\$ 1,490	\$ 342,952
	959	161	145,068
84,841	5,162	1,651	488,020
	227	74	301
34,996	37,362	8,987	2,104,813
16,600	3,914	1,006	171,876
2,284	1,718	406	99,640
616			20,762
54,496	42,994	10,399	2,397,091
2,107	105	10	26,748
52,389	42,889	10,389	2,370,343
137,230	48,278	12,114	2,858,664
35,521	5,333	1,279	323,332
	237	7	16,705
	121	64	5,730
	37	169	85,057
35,521	5,728	1,519	430,824
101,709	42,550	10,595	2,427,840
273,946	105,122	27,823	5,252,869
6,565	320	33	(45,126)
\$ 382,220	\$ 147,992	\$ 38,451	\$ 7,635,583

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1996
(Expressed in Thousands)

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
KENTUCKY PUBLIC EMPLOYEES				
DEFERRED COMPENSATION SYSTEM				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 781	\$ 348	\$ 84	\$ 1,045
INVESTMENTS	301,732	81,352	50,343	332,741
CONTRIBUTIONS RECEIVABLE	775	217		992
TOTAL ASSETS	<u>\$ 303,288</u>	<u>\$ 81,917</u>	<u>\$ 50,427</u>	<u>\$ 334,778</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$ 36	\$ 35	\$ 36	\$ 35
AMOUNTS HELD IN CUSTODY FOR OTHERS	303,252	81,400	49,909	334,743
TOTAL LIABILITIES	<u>\$ 303,288</u>	<u>\$ 81,435</u>	<u>\$ 49,945</u>	<u>\$ 334,778</u>
KENTUCKY HEALTH PURCHASING ALLIANCE				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$	\$ 230,609	\$ 213,938	\$ 16,671
TOTAL ASSETS	<u>\$</u>	<u>\$ 230,609</u>	<u>\$ 213,938</u>	<u>\$ 16,671</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	<u>\$</u>	<u>\$ 230,609</u>	<u>\$ 213,938</u>	<u>\$ 16,671</u>
TOTAL LIABILITIES	<u>\$</u>	<u>\$ 230,609</u>	<u>\$ 213,938</u>	<u>\$ 16,671</u>
COMMONWEALTH CHOICE PROGRAM				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 210	\$ 6,175	\$ 5,906	\$ 479
TOTAL ASSETS	<u>\$ 210</u>	<u>\$ 6,175</u>	<u>\$ 5,906</u>	<u>\$ 479</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	<u>\$ 210</u>	<u>\$ 6,175</u>	<u>\$ 5,906</u>	<u>\$ 479</u>
TOTAL LIABILITIES	<u>\$ 210</u>	<u>\$ 6,175</u>	<u>\$ 5,906</u>	<u>\$ 479</u>
COUNTY SINKING FUND				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 94	\$ 452	\$ 498	\$ 48
CASH WITH FISCAL AGENTS	413	283	413	283
INVESTMENTS	19	21	19	21
TOTAL ASSETS	<u>\$ 526</u>	<u>\$ 756</u>	<u>\$ 930</u>	<u>\$ 352</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	<u>\$ 526</u>	<u>\$ 624</u>	<u>\$ 798</u>	<u>\$ 352</u>
TOTAL LIABILITIES	<u>\$ 526</u>	<u>\$ 624</u>	<u>\$ 798</u>	<u>\$ 352</u>

	Balance			Balance
	July 1, 1995	Additions	Deductions	June 30, 1996
<u>SPECIAL DEPOSIT TRUST FUND</u>				
	<u>ASSETS</u>			
CASH & CASH EQUIVALENTS	\$ 106,754	\$ 1,643,078	\$ 1,617,717	\$ 132,115
INVESTMENTS	45,846	78,499	65,900	58,445
ACCOUNTS RECEIVABLE	1,002	551	1,002	551
INTERFUND RECEIVABLES	152	307	152	307
TOTAL ASSETS	<u>\$ 153,754</u>	<u>\$ 1,722,435</u>	<u>\$ 1,684,771</u>	<u>\$ 191,418</u>
	<u>LIABILITIES</u>			
INTERFUND PAYABLES	\$ 5	\$ 816	\$ 5	\$ 816
AMOUNTS HELD IN CUSTODY FOR OTHERS	153,749	1,425,537	1,388,684	190,602
TOTAL LIABILITIES	<u>\$ 153,754</u>	<u>\$ 1,426,353</u>	<u>\$ 1,388,689</u>	<u>\$ 191,418</u>
<u>ALL AGENCY FUNDS</u>				
	<u>ASSETS</u>			
CASH & CASH EQUIVALENTS	\$ 107,629	\$ 1,643,878	\$ 1,618,299	\$ 133,208
CASH WITH FISCAL AGENTS	623	237,067	220,257	17,433
INVESTMENTS	347,597	159,872	116,262	391,207
ACCOUNTS RECEIVABLE	1,002	551	1,002	551
CONTRIBUTIONS RECEIVABLE	775	217		992
INTERFUND RECEIVABLES	152	307	152	307
TOTAL ASSETS	<u>\$ 457,778</u>	<u>\$ 2,041,892</u>	<u>\$ 1,955,972</u>	<u>\$ 543,698</u>
	<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	\$ 36	\$ 35	\$ 36	\$ 35
INTERFUND PAYABLES	5	816	5	816
AMOUNTS HELD IN CUSTODY FOR OTHERS	457,737	1,744,345	1,659,235	542,847
TOTAL LIABILITIES	<u>\$ 457,778</u>	<u>\$ 1,745,196</u>	<u>\$ 1,659,276</u>	<u>\$ 543,698</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Unemployment Compensation		
	Budget	Actual	Variance
REVENUES:			
INTERGOVERNMENTAL	\$	\$ 17,815	\$
CHARGES FOR SERVICES		14	
INTEREST AND OTHER INVESTMENT INCOME		40,241	
EMPLOYER CONTRIBUTIONS		231,889	
OTHER REVENUES		2,211	
TRANSFERS IN (INTERFUND)		1,741	
TOTAL REVENUES		293,911	
EXPENDITURES:			
WORKFORCE DEVELOPMENT			
DEPARTMENT FOR EMPLOYMENT SERVICES -			
UNEMPLOYMENT INSURANCE BENEFITS	333,958	256,504	77,454
TOTAL WORKFORCE DEVELOPMENT	333,958	256,504	77,454
TOTAL EXPENDITURES	333,958	256,504	77,454
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		37,407	
FUND BALANCE AT JULY 1		448,205	
FUND BALANCE AT JUNE 30	\$	\$ 485,612	\$

GENERAL FIXED ASSETS ACCOUNT GROUP

The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and university and college funds.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1996

(Expressed In Thousands)

	<u>June 30, 1996</u>
GENERAL FIXED ASSETS:	
LAND	\$ 76,748
BUILDINGS	617,576
MACHINERY AND EQUIPMENT	549,816
CONSTRUCTION IN PROGRESS	162,092
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,406,232</u>
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
GENERAL FUND REVENUES	\$ 129,353
SPECIAL REVENUE FUNDS REVENUE	387,828
DONATIONS	16,154
OTHER	29,278
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	48,422
REVENUE BONDS	354,723
FEDERAL GRANTS	27,729
OTHER	6,349
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984 (A)	406,396
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 1,406,232</u>

(A) FIXED ASSETS WITH AN UNDETERMINED FUNDING SOURCE ACQUIRED PRIOR TO JULY 1, 1984

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1996

(Expressed in Thousands)

FUNCTION AND ACTIVITY	Land	Buildings	Machinery and Equipment	Totals June 30, 1996
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT (A)	\$ 5,906	\$ 31,330	\$ 16,463	\$ 53,699
REVENUE CABINET			11,080	11,080
FINANCE & ADMINISTRATION	7,814	121,695	7,386	136,895
PERSONNEL CABINET (A)			889	889
TOTAL GENERAL GOVERNMENT	<u>13,720</u>	<u>153,025</u>	<u>35,818</u>	<u>202,563</u>
LEGISLATIVE & JUDICIAL	55		26,335	26,390
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET	14,686	18,507	925	34,118
TOURISM CABINET	23,129	5,163	18,938	47,230
TOTAL COMMERCE	<u>37,815</u>	<u>23,670</u>	<u>19,863</u>	<u>81,348</u>
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET	398	23,466	30,780	54,644
WORKFORCE DEVELOPMENT CABINET (A)	4,085	92,370	79,974	176,429
TOTAL EDUCATION & HUMANITIES	<u>4,483</u>	<u>115,836</u>	<u>110,754</u>	<u>231,073</u>
HUMAN RESOURCES (A)	4,132	89,131	50,563	143,826
JUSTICE	3,213	178,612	64,011	245,836
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION	8,096	925	33,323	42,344
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET	47	220	6,882	7,149
LABOR CABINET			3,550	3,550
TOTAL PUBLIC PROTECTION & REGULATION	<u>47</u>	<u>220</u>	<u>10,432</u>	<u>10,699</u>
TRANSPORTATION	5,187	56,157	198,717	260,061
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	<u>76,748</u>	<u>617,576</u>	<u>549,816</u>	<u>1,244,140</u>
CONSTRUCTION IN PROGRESS		162,092		162,092
TOTAL GENERAL FIXED ASSETS	<u>\$ 76,748</u>	<u>\$ 779,668</u>	<u>\$ 549,816</u>	<u>\$ 1,406,232</u>

(A) FIXED ASSETS TOTALING \$4,730,(000) WERE PREVIOUSLY REPORTED WITHIN THE GENERAL GOVERNMENT CABINET, AND THE HUMAN RESOURCES CABINET IN THE AMOUNTS OF \$862,(000), AND \$3,868,(000), RESPECTIVELY. THESE AMOUNTS ARE NOW REPORTED IN THE FOLLOWING CABINETS: PERSONNEL - \$862,(000) AND WORKFORCE DEVELOPMENT - \$3,868,(000).

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Balance June 30, 1995	Additions	Retirements	Balance June 30, 1996
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT (A)	\$ 49,554	\$ 4,865	\$ 720	\$ 53,699
REVENUE CABINET	9,942	1,492	354	11,080
FINANCE & ADMINISTRATION	135,595	1,607	307	136,895
PERSONNEL CABINET (A)	862	54	27	889
TOTAL GENERAL GOVERNMENT	195,953	8,018	1,408	202,563
LEGISLATIVE & JUDICIAL	24,915	2,442	967	26,390
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET	24,594	9,631	107	34,118
TOURISM CABINET	44,995	3,126	891	47,230
TOTAL COMMERCE	69,589	12,757	998	81,348
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET	53,631	1,904	891	54,644
WORKFORCE DEVELOPMENT CABINET (A)	146,972	32,609	3,152	176,429
TOTAL EDUCATION & HUMANITIES	200,603	34,513	4,043	231,073
HUMAN RESOURCES (A)	140,596	5,249	2,019	143,826
JUSTICE	209,190	38,976	2,330	245,836
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION	29,116	14,540	1,312	42,344
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET	7,149	762	762	7,149
LABOR CABINET	3,303	411	164	3,550
TOTAL PUBLIC PROTECTION & REGULATION	10,452	1,173	926	10,699
TRANSPORTATION	244,362	42,964	27,265	260,061
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	1,124,776	160,632	41,268	1,244,140
CONSTRUCTION IN PROGRESS	196,623	20,761	55,292	162,092
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,321,399</u>	<u>\$ 181,393</u>	<u>\$ 96,560</u>	<u>\$ 1,406,232</u>

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COMPONENT UNITS

Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

Governmental Funds

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Proprietary Funds

Enterprise Funds

Kentucky State Fair Board - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth. The authority's Japanese Yen Bonds are legal obligations of the Commonwealth.

Kentucky Higher Education Assistance Authority - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Kentucky Higher Education Student Loan Corporation - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.

Kentucky Educational Savings Plan Trust - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, as amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State-supported universities within Kentucky, including the community colleges that are part of the University of Kentucky system. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following universities and colleges are included:

Eastern Kentucky University
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
(including community colleges)
University of Louisville
Western Kentucky University

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 1996**

(Expressed in Thousands)

<u>ASSETS</u>	<u>Governmental Fund Types</u>	<u>Proprietary Fund Types</u>	<u>University and College Funds</u>	<u>Totals June 30, 1996</u>
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$	\$ 360,966	\$ 266,732	\$ 627,698
RESTRICTED CASH		6,620		6,620
RECEIVABLES, NET		70,135	209,985	280,120
INTERFUND RECEIVABLES	516	2	51,687	52,205
INTEREST RECEIVABLE		15,506		15,506
INVENTORIES		354	24,230	24,584
PREPAID EXPENSES		1,661		1,661
OTHER ASSETS		2,549	238,292	240,841
TOTAL CURRENT ASSETS	<u>516</u>	<u>457,793</u>	<u>790,926</u>	<u>1,249,235</u>
OTHER ASSETS:				
LONG-TERM INVESTMENTS		189,174	707,603	896,777
LONG-TERM RECEIVABLES		1,326,003		1,326,003
DEFERRED CHARGES		19,729		19,729
RESTRICTED ASSETS		92,570		92,570
TOTAL OTHER ASSETS		<u>1,627,476</u>	<u>707,603</u>	<u>2,335,079</u>
FIXED ASSETS:				
LAND		14,771	64,942	79,713
IMPROVEMENTS OTHER THAN BUILDINGS			59,470	59,470
BUILDINGS		212,067	1,728,540	1,940,607
MACHINERY AND EQUIPMENT	7	43,963	550,791	594,761
LESS ACCUMULATED DEPRECIATION		(107,276)		(107,276)
CONSTRUCTION IN PROGRESS		4,089	148,658	152,747
TOTAL FIXED ASSETS, NET	<u>7</u>	<u>167,614</u>	<u>2,552,401</u>	<u>2,720,022</u>
TOTAL ASSETS	<u>\$ 523</u>	<u>\$ 2,252,883</u>	<u>\$ 4,050,930</u>	<u>\$ 6,304,336</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	\$ 683	\$ 56,879	\$ 70,935	\$ 128,497
ACCRUED LIABILITIES			57,019	57,019
INTERFUND PAYABLES		51	51,687	51,738
CAPITAL LEASE OBLIGATIONS		1,248		1,248
NOTES PAYABLE		25		25
BONDS PAYABLE		55,965		55,965
COMPENSATED ABSENCES		1,960		1,960
DEFERRED REVENUE		12,790	32,771	45,561
AMOUNT HELD IN CUSTODY FOR OTHERS		4,594	3,692	8,286
DEPOSITS AND ADVANCE PAYMENTS			17,117	17,117
OTHER LIABILITIES		3,809	38,361	42,170
TOTAL CURRENT LIABILITIES	<u>683</u>	<u>137,321</u>	<u>271,582</u>	<u>409,586</u>
LONG-TERM LIABILITIES:				
CAPITAL LEASE OBLIGATIONS		20,369	85,838	106,207
NOTES PAYABLE		25	1,942	1,967
BONDS PAYABLE		1,431,577	753,588	2,185,165
COMPENSATED ABSENCES		1,118		1,118
OTHER LONG-TERM LIABILITIES		608		608
TOTAL LONG-TERM LIABILITIES		<u>1,453,697</u>	<u>841,368</u>	<u>2,295,065</u>
TOTAL LIABILITIES	<u>683</u>	<u>1,591,018</u>	<u>1,112,950</u>	<u>2,704,651</u>
FUND EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL		96,190		96,190
INVESTMENT IN FIXED ASSETS			1,942,030	1,942,030
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT		427,732		427,732
UNRESERVED		137,943		137,943
FUND BALANCE:				
RESERVED FOR:				
ENCUMBRANCES			11,945	11,945
CAPITAL OUTLAY			160,165	160,165
RESTRICTED GIFTS, GRANTS, AND CONTRACTS			585,560	585,560
UNRESERVED:				
DESIGNATED FOR UNIVERSITIES AND COLLEGES			238,280	238,280
UNDESIGNATED	(160)			(160)
TOTAL FUND EQUITY	<u>(160)</u>	<u>661,865</u>	<u>2,937,980</u>	<u>3,599,685</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 523</u>	<u>\$ 2,252,883</u>	<u>\$ 4,050,930</u>	<u>\$ 6,304,336</u>

**COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - GOVERNMENTAL FUND TYPE - BLUEGRASS STATE SKILLS CORPORATION
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	<u>June 30, 1996</u>
REVENUES:	
TAXES	\$
LICENSES, FEES, AND PERMITS	
INTERGOVERNMENTAL	
CHARGES FOR SERVICES	
FINES AND FORFEITS	
INTEREST AND OTHER INVESTMENT INCOME	
OTHER REVENUE	
TOTAL REVENUES	<u> </u>
EXPENDITURES:	
PERSONAL SERVICES	233
UTILITIES, RENTALS, AND OTHER SERVICES	33
COMMODITIES AND SUPPLIES	2
GRANTS AND SUBSIDIES	2,071
CAPITAL OUTLAY	7
TRAVEL	10
TOTAL EXPENDITURES	<u>2,356</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,356)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	
OPERATING TRANSFERS OUT	
TRANSFERS FROM COMPONENT UNITS	2,348
TRANSFERS TO COMPONENT UNITS	
CAPITALIZED LEASES	
OTHER SOURCES (USES)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,348</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(8)
FUND BALANCE AT JULY 1	(152)
INCREASE (DECREASE) IN INVENTORIES	
FUND BALANCE AT JUNE 30	<u>\$ (160)</u>

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - PROPRIETARY FUND TYPES
JUNE 30, 1996**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 3,812	\$ 836	\$ 2,466	\$ 2,031	\$ 7,756
RESTRICTED CASH				6,620	
RECEIVABLES, NET	1,245	318	801		18,753
INTERFUND RECEIVABLES	2				
INTEREST RECEIVABLE					1,550
INVENTORIES		78	276		
PREPAID EXPENSES	497	203	816		
OTHER ASSETS				2,530	19
TOTAL CURRENT ASSETS	5,556	1,435	4,359	11,181	28,078
OTHER ASSETS:					
LONG-TERM INVESTMENTS	1,245	933	5,744	385	30,192
LONG-TERM RECEIVABLES				97,168	5,139
DEFERRED CHARGES	829		186	559	
RESTRICTED ASSETS				92,570	
TOTAL OTHER ASSETS	2,074	933	5,930	190,682	35,331
FIXED ASSETS:					
LAND	14,073	129	32		
BUILDINGS	153,268	31,571	11,540	463	
MACHINERY AND EQUIPMENT	4,962	5,330	25,325	428	3,968
LESS: ACCUMULATED DEPRECIATION	(60,966)	(12,764)	(26,577)	(738)	(2,013)
CONSTRUCTION IN PROGRESS	3,571		518		
TOTAL FIXED ASSETS, NET	114,908	24,266	10,838	153	1,955
TOTAL ASSETS	\$ 122,538	\$ 26,634	\$ 21,127	\$ 202,016	\$ 65,364
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,271	\$ 751	\$ 2,594	\$ 1,344	\$ 6,917
INTERFUND PAYABLES	51				
CAPITAL LEASE OBLIGATIONS			1,248		
NOTES PAYABLE		25			
BONDS PAYABLE					
COMPENSATED ABSENCES	685		1,176		
AMOUNT HELD IN CUSTODY FOR OTHERS					
DEFERRED REVENUE	2,070	629	272		8,316
OTHER LIABILITIES				19	
TOTAL CURRENT LIABILITIES	4,077	1,405	5,290	1,363	15,233
LONG-TERM LIABILITIES:					
CAPITAL LEASE OBLIGATIONS			20,369		
NOTES PAYABLE		25			
BONDS PAYABLE				91,312	
COMPENSATED ABSENCES					1,118
OTHER LONG-TERM LIABILITIES		128			480
TOTAL LONG-TERM LIABILITIES		153	20,369	91,312	1,598
TOTAL LIABILITIES	4,077	1,558	25,659	92,675	16,831
FUND EQUITY:					
CONTRIBUTED CAPITAL	74,748	21,442			
RETAINED EARNINGS:					
RESERVED FOR:					
REVENUE BOND RETIREMENT				45,173	42,525
UNRESERVED	43,713	3,634	(4,532)	64,168	6,008
TOTAL FUND EQUITY	118,461	25,076	(4,532)	109,341	48,533
TOTAL LIABILITIES AND FUND EQUITY	\$ 122,538	\$ 26,634	\$ 21,127	\$ 202,016	\$ 65,364

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1996
\$ 46,526	\$ 270	\$ 214,495	\$ 72,453	\$ 251	\$ 1,754	\$ 8,316	\$ 360,966
237	73	35,219	12,624	14	37	814	6,620
9,322		4,632		2			70,135
62		83					2
56,147	343	254,429	85,077	267	1,791	9,130	15,506
31,585	4,251	89,822	20,968	246	2,593	1,210	354
270,654		709,597	236,097			7,348	1,326,003
3,378		12,024	2,028			725	19,729
305,617	4,251	811,443	259,093	246	2,593	9,283	92,570
		537					14,771
		15,225					212,067
2,056		1,894					43,963
(838)		(3,380)					(107,276)
1,218		14,276					4,089
\$ 362,982	\$ 4,594	\$ 1,080,148	\$ 344,170	\$ 513	\$ 4,384	\$ 18,413	\$ 2,252,883
\$ 8,752	\$	\$ 31,831	\$ 2,784	\$	\$ 277	\$ 358	\$ 56,879
							51
							1,248
7,910		37,894	8,744			1,417	25
99							55,965
	4,594						1,960
		1,473					4,594
		3,790			30		12,790
16,761	4,594	74,988	11,528		307	1,775	3,809
							20,369
299,730		816,074	184,066			40,395	25
							1,431,577
							1,118
299,730		816,074	184,066			40,395	608
316,491	4,594	891,062	195,594		307	42,170	1,453,697
							96,190
40,457		151,001	148,576				427,732
6,034		38,085		513	4,077	(23,757)	137,943
46,491		189,086	148,576	513	4,077	(23,757)	661,865
\$ 362,982	\$ 4,594	\$ 1,080,148	\$ 344,170	\$ 513	\$ 4,384	\$ 18,413	\$ 2,252,883

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 22,544	\$ 3,175	\$ 1,175	\$ 1,248	\$ 1,663
INTEREST AND OTHER INVESTMENT INCOME			68	10,127	2,013
AMORTIZATION OF PREMIUM ON LEASES					
OTHER REVENUES	2,648		2,040	33	6,900
TOTAL OPERATING REVENUES	<u>25,192</u>	<u>3,175</u>	<u>3,283</u>	<u>11,408</u>	<u>10,576</u>
OPERATING EXPENSES:					
PERSONAL SERVICES	13,628	4,380	8,371	753	5,039
UTILITIES, RENTALS, AND OTHER SERVICES	9,272	466	2,118	451	2,451
COMMODITIES AND SUPPLIES	1,062	362	265		399
GRANTS AND SUBSIDIES		74			29,194
DEPRECIATION AND AMORTIZATION	4,811	1,179	3,318	268	537
INTEREST				4,801	
TRAVEL	77	56	145	11	78
CLAIMS EXPENSE					
OTHER EXPENSES		1,128	7,056	61	2,165
TOTAL OPERATING EXPENSES	<u>28,850</u>	<u>7,645</u>	<u>21,273</u>	<u>6,345</u>	<u>39,863</u>
OPERATING INCOME (LOSS)	<u>(3,658)</u>	<u>(4,470)</u>	<u>(17,990)</u>	<u>5,063</u>	<u>(29,287)</u>
NONOPERATING REVENUES (EXPENSES):					
INTERGOVERNMENTAL REVENUES		1,359			
GRANTS AND DONATIONS		543	3,374		776
MEMBERSHIP REVENUE		299			
KENTUCKY CENTER FOR THE ARTS ENDOWMENT		549			
GAIN (LOSS) ON SALE OF FIXED ASSETS		4	(23)		
INTEREST AND OTHER INVESTMENT INCOME	130	92			
INTEREST EXPENSE			(1,220)		
OTHER REVENUE (EXPENSES)	640		(2,634)		(391)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>770</u>	<u>2,846</u>	<u>(503)</u>		<u>385</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	<u>(2,888)</u>	<u>(1,624)</u>	<u>(18,493)</u>	<u>5,063</u>	<u>(28,902)</u>
TRANSFERS FROM PRIMARY GOVERNMENT	707	1,541	16,320		26,688
TRANSFERS FROM COMPONENT UNITS					1,500
TRANSFERS TO PRIMARY GOVERNMENT	(371)		(16)		(494)
TRANSFERS TO COMPONENT UNITS					
NET INCOME (LOSS)	<u>(2,552)</u>	<u>(83)</u>	<u>(2,189)</u>	<u>5,063</u>	<u>(1,208)</u>
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	4,131	789			
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>1,579</u>	<u>706</u>	<u>(2,189)</u>	<u>5,063</u>	<u>(1,208)</u>
RETAINED EARNINGS AT JULY 1, AS RESTATED	42,134	2,928	(2,343)	104,278	49,741
RETAINED EARNINGS AT JUNE 30	<u>\$ 43,713</u>	<u>\$ 3,634</u>	<u>\$ (4,532)</u>	<u>\$ 109,341</u>	<u>\$ 48,533</u>

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1996
\$ 30,867		\$ 7,477 69,286	\$ 395 15,378	\$	\$ 65 246	\$ 4,129 605 96	\$ 41,871 128,590 96
1,956			34,073				47,650
32,823		76,763	49,846		311	4,830	218,207
	53	6,044	1,034		6		39,308
	105	1,218					16,081
	2	384					2,474
		2,269	746			784	33,067
1,040		1,473	324			62	13,012
17,365		48,846	13,816				84,828
	3	259					629
					277		277
8,441	331	5,512				45	24,739
26,846	494	66,005	15,920		283	891	214,415
5,977	(494)	10,758	33,926		28	3,939	3,792
							1,359
							4,693
							299
							549
							(19)
				3		445	670
						(2,158)	(3,378)
		(82)					(2,467)
		(82)		3		(1,713)	1,706
5,977	(494)	10,676	33,926	3	28	2,226	5,498
	494		10,537				56,287
							1,500
							(881)
(1,500)							(1,500)
4,477		10,676	44,463	3	28	2,226	60,904
							4,920
4,477		10,676	44,463	3	28	2,226	65,824
42,014		178,410	104,113	510	4,049	(25,983)	499,851
\$ 46,491	\$	\$ 189,086	\$ 148,576	\$ 513	\$ 4,077	\$ (23,757)	\$ 565,675

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center For The Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority
CASH FLOWS FROM OPERATING ACTIVITIES:				
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 25,891	\$ 3,174	\$ 3,832	\$ 1,265
COLLECTION OF PROGRAM LOANS				23,831
PROGRAM LOANS ISSUED				(6,421)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(12,769)	(3,285)	(9,467)	(532)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(10,944)	(3,042)	(8,495)	(753)
CASH PAYMENTS (TO) FROM OTHER SOURCES				
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,178</u>	<u>(3,153)</u>	<u>(14,130)</u>	<u>17,390</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
PROCEEDS FROM BOND ISSUANCE				
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				
PRINCIPAL PAYMENT ON DEBT				
DEBT RELATED EXPENSES				(5,029)
SUBSIDIES		2,823		
OPERATING TRANSFERS-IN FROM OTHER FUNDS	1,047	1,541	18,567	
OPERATING TRANSFERS-OUT TO OTHER FUNDS			(275)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,047</u>	<u>4,364</u>	<u>18,292</u>	<u>(5,029)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(6,182)	(900)	(380)	(29)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(371)		(1,351)	
INCREASE IN RESTRICTED ASSET - CONSTRUCTION ACCOUNT	(23,509)			
RESTRICTED INCOME - CONSTRUCTION	300			
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS			(1,181)	
PROCEEDS FROM SALE OF EQUIPMENT		4		
CONTRIBUTED CAPITAL	27,607			
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,155)</u>	<u>(896)</u>	<u>(2,912)</u>	<u>(29)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
PURCHASE OF INVESTMENT SECURITIES	(1,245)	(513)	(5,031)	(107,772)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES			796	80,471
INTEREST AND DIVIDENDS ON INVESTMENTS	130	91		5,118
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,115)</u>	<u>(422)</u>	<u>(4,235)</u>	<u>(22,183)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(45)	(107)	(2,985)	(9,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,857	943	5,451	11,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,812</u>	<u>\$ 836</u>	<u>\$ 2,466</u>	<u>\$ 2,031</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ (3,658)	\$ (4,470)	\$ (17,990)	\$ 5,063
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
DEPRECIATION AND AMORTIZATION	4,811	1,179	3,318	268
INTEREST AND OTHER INVESTMENT INCOME				(5,314)
SUBSIDIES				
INTEREST EXPENSE				
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)			491	4,785
CHANGE IN ASSETS AND LIABILITIES:				
(INCREASE) DECREASE IN RECEIVABLES, NET	(310)	(29)	(289)	12,367
(INCREASE) DECREASE IN INVENTORIES		(26)	114	
(INCREASE) DECREASE IN PREPAID EXPENSES	(68)	(32)		
(INCREASE) DECREASE IN OTHER ASSETS			(127)	
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	394	225	234	230
INCREASE (DECREASE) IN INTERFUND PAYABLES				(9)
INCREASE (DECREASE) IN COMPENSATED ABSENCES			119	
INCREASE (DECREASE) IN OTHER LIABILITIES				
INCREASE (DECREASE) IN DEFERRED REVENUE	1,009			
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,178</u>	<u>\$ (3,153)</u>	<u>\$ (14,130)</u>	<u>\$ 17,390</u>

THROUGH CONTRIBUTED CAPITAL, STATE FAIR BOARD ACQUIRED FIXED ASSETS COSTING \$179,(000).

Kentucky Higher Education Assistance Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1996
\$ 38,607	\$ 2,154	\$ 965	\$ 7,343	\$ 395	\$	\$ 66	\$ 4,633	\$ 88,325
245	84,325		134,296					242,697
(1,581)	(48,562)		(99,606)				(829)	(156,999)
(68,417)	(21,735)	(736)	(7,837)	(1,033)		(6)		(125,817)
(5,091)	(2,473)		(6,303)					(37,101)
<u>(36,237)</u>	<u>13,709</u>	<u>229</u>	<u>27,893</u>	<u>(638)</u>		<u>60</u>	<u>3,804</u>	<u>11,105</u>
	15,980		127,654	18,550				162,184
	(267)							(267)
	(28,820)		(50,777)	(8,900)				(88,497)
		494	(49,268)	(12,234)				(66,531)
				43,525				46,842
28,188								49,343
(494)	(1,500)							(2,269)
<u>27,694</u>	<u>(14,607)</u>	<u>494</u>	<u>27,609</u>	<u>40,941</u>				<u>100,805</u>
	(456)		(713)					(8,660)
(1,152)							(1,390)	(4,264)
								(23,509)
5								300
							(2,166)	(3,342)
								4
								27,607
<u>(1,147)</u>	<u>(456)</u>		<u>(713)</u>				<u>(3,556)</u>	<u>(11,864)</u>
(29,745)	(550,765)	(2,023)	(405,201)	(28,794)				(1,131,089)
20,633	582,235	452	548,087	37,696	(197)	1,072		1,271,245
1,884	4,468	219	13,001	16,324	2	239	447	41,923
(7,228)	35,938	(1,352)	155,887	25,226	(195)	1,311	447	182,079
(16,918)	34,584	(629)	210,676	65,529	(195)	1,371	695	282,125
24,674	11,942	899	3,819	6,924	446	383	7,621	78,841
<u>\$ 7,756</u>	<u>\$ 46,526</u>	<u>\$ 270</u>	<u>\$ 214,495</u>	<u>\$ 72,453</u>	<u>\$ 251</u>	<u>\$ 1,754</u>	<u>\$ 8,316</u>	<u>\$ 360,966</u>
\$ (29,287)	\$ 5,977	\$ (494)	\$ 10,758	\$ 33,926	\$	\$ 28	\$ 3,939	\$ 3,792
537	1,040		1,473	324			(34)	12,916
(1,913)		(244)	13,469	(15,716)		(238)		(9,956)
				(32,988)				(32,988)
				13,816				13,816
415			1,619					7,310
(9,501)	9,078		(738)			(37)	(101)	10,440
	(2)		22					88
6	(4,291)							(80)
2,239	1,900		1,393			277		(4,412)
								6,892
707	7							(9)
		967	31					833
560			(134)			30		998
<u>\$ (36,237)</u>	<u>\$ 13,709</u>	<u>\$ 229</u>	<u>\$ 27,893</u>	<u>\$ (638)</u>	<u>\$</u>	<u>\$ 60</u>	<u>\$ 3,804</u>	<u>\$ 11,105</u>

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COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
COMMERCE-STATE FAIR BOARD			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 23,139	\$
OTHER REVENUES		200	
TRANSFERS IN (INTERFUND)		14	
TRANSFERS IN (INTRAFUND)		642	
TOTAL REVENUES		<u>23,995</u>	
EXPENSES	<u>21,545</u>	<u>21,544</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES		2,451	
FUND EQUITY AT JULY 1		90,832	
NON-BUDGETED ITEMS		<u>(2,345)</u>	
FUND EQUITY AT JUNE 30	<u>\$</u>	<u>\$ 90,938</u>	<u>\$</u>

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 1996**

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS	\$ 166,833	\$ 25,213	\$ 24,047
INVESTMENTS, NET OF AMORTIZATION	424,537	160,634	30,109
RECEIVABLES, NET:			
STATE AGENCIES	671		3,110
OTHERS	124,040	41,786	10,145
INTERFUND RECEIVABLES	39,818		123
INVENTORIES	12,876	1,374	3,109
LAND	26,139	20,967	3,037
IMPROVEMENTS OTHER THAN BUILDINGS	34,578		9,786
BUILDINGS	731,862	361,242	148,671
MACHINERY AND EQUIPMENT	309,128	81,473	46,722
LIBRARY BOOKS	74,377	46,574	23,328
LIVESTOCK			316
CONSTRUCTION IN PROGRESS	86,481		843
OTHER ASSETS	2,092	2,773	1,853
TOTAL ASSETS	<u>\$ 2,033,432</u>	<u>\$ 742,036</u>	<u>\$ 305,199</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
ACCOUNTS PAYABLE:			
STATE AGENCIES	\$ 4,265	\$ 28,067	\$ 15
OTHERS	28,853		2,109
ACCRUED LIABILITIES	41,845		1,248
INTERFUND PAYABLES	39,818		123
CAPITAL LEASE OBLIGATIONS	34,101	8,454	
NOTES PAYABLE	98		
BONDS PAYABLE	332,279	155,850	67,090
AMOUNTS HELD IN CUSTODY FOR OTHERS	438		468
DEPOSITS AND ADVANCE PAYMENTS	137	15,860	647
DEFERRED REVENUE	11,947	11,271	2,202
OTHER LIABILITIES	36,233	894	
TOTAL LIABILITIES	<u>530,014</u>	<u>220,396</u>	<u>73,902</u>
FUND EQUITY:			
INVESTMENT IN FIXED ASSETS	907,874	352,143	166,301
FUND BALANCE:			
RESERVED FOR:			
ENCUMBRANCES	1,508	6,459	1,760
CAPITAL OUTLAY	62,141	11,522	17,212
RESTRICTED GIFTS, GRANTS, AND CONTRACTS	373,755	88,433	45,796
UNRESERVED:			
DESIGNATED FOR UNIVERSITIES AND COLLEGES	158,140	63,083	228
TOTAL FUND EQUITY	<u>1,503,418</u>	<u>521,640</u>	<u>231,297</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,033,432</u>	<u>\$ 742,036</u>	<u>\$ 305,199</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1996
\$ 11,661	\$ 12,418	\$ 8,345	\$ 6,888	\$ 11,327	\$ 266,732
37,268	9,010	17,918	15,843	12,284	707,603
353	197	283	787		5,401
9,088	6,099	6,942	3,225	3,259	204,584
3,991	2,836	3,161	1,758		51,687
1,553	2,233	1,263	1,062	760	24,230
1,508	7,066	2,668	2,770	787	64,942
3,885		8,624	2,597		59,470
107,921	105,626	92,698	111,796	68,724	1,728,540
30,167	24,693	24,404	19,368	14,836	550,791
17,888	9,881	17,210	16,131	5,627	211,016
	18				334
25,869	5,903	9,912	388	19,262	148,658
5,484	1,283	11,713	1,672	72	26,942
<u>\$ 256,636</u>	<u>\$ 187,263</u>	<u>\$ 205,141</u>	<u>\$ 184,285</u>	<u>\$ 136,938</u>	<u>\$ 4,050,930</u>
\$ 67	\$ 900	\$ 43	\$ 12	\$	\$ 5,302
918	1,167	1,791	1,639	1,089	65,633
2,614	2,966	3,473	2,852	2,021	57,019
3,991	2,836	3,161	1,758		51,687
7,698	15,577	4,717	15,291		85,838
	559		1,285		1,942
57,054	34,325	27,160	56,715	23,115	753,588
879	766	150	908	83	3,692
	63	260	150		17,117
2,998	517	835	2,773	228	32,771
	1,015	29	190		38,361
<u>76,219</u>	<u>60,691</u>	<u>41,619</u>	<u>83,573</u>	<u>26,536</u>	<u>1,112,950</u>
123,187	102,726	127,037	81,358	81,404	1,942,030
1,600		413	205		11,945
18,202	11,834	9,771	9,028	20,455	160,165
21,367	11,944	26,301	9,421	8,543	585,560
16,061	68		700		238,280
<u>180,417</u>	<u>126,572</u>	<u>163,522</u>	<u>100,712</u>	<u>110,402</u>	<u>2,937,980</u>
<u>\$ 256,636</u>	<u>\$ 187,263</u>	<u>\$ 205,141</u>	<u>\$ 184,285</u>	<u>\$ 136,938</u>	<u>\$ 4,050,930</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1996**

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES:			
TUITION AND FEES	\$ 124,397	\$ 59,755	\$ 31,059
FEDERAL GRANTS AND CONTRACTS	32,763	26,308	19,239
STATE/LOCAL GRANTS AND CONTRACTS	9,302	3,326	6,745
PRIVATE GIFTS, GRANTS AND CONTRACTS	14,540	8,613	712
ENDOWMENT INCOME	3,951		
SALES AND SERVICES OF EDUCATION ACTIVITIES	31,736	293	4,184
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	268,380	25,231	15,898
OTHER REVENUES	30,167	94,419	3,854
TOTAL CURRENT REVENUES	<u>515,236</u>	<u>217,945</u>	<u>81,691</u>
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	213,716	123,492	46,628
RESEARCH	49,608	22,776	456
PUBLIC SERVICE	70,025	45,635	3,498
ACADEMIC SUPPORT	32,002	21,926	20,314
LIBRARIES	21,243	9,972	3,460
STUDENT SERVICES	23,972	9,549	7,061
INSTITUTIONAL SUPPORT	39,313	22,477	10,134
STUDENT FINANCIAL AID	55,017	17,679	13,443
MAINTENANCE AND OPERATION	40,796	17,855	10,581
OTHER EXPENDITURES	451		
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	<u>546,143</u>	<u>291,361</u>	<u>115,575</u>
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	27,624	13,022	5,290
LOAN FUND	147	56	10
UNEXPENDED PLANT FUND	1,374		
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS FOR:			
CURRENT FUND - UNRESTRICTED	(23,007)		(1)
CURRENT FUND - RESTRICTED	(3,256)		
LOAN FUND	20		
ENDOWMENT AND SIMILAR FUNDS			
UNEXPENDED PLANT FUND	12,978	11,149	502
RETIREMENT OF INDEBTEDNESS		716	
RENEWAL AND REPLACEMENT	100		
TOTAL EDUCATIONAL AND GENERAL	<u>562,123</u>	<u>316,304</u>	<u>121,376</u>
AUXILIARY ENTERPRISES AND HOSPITALS:			
EXPENDITURES	234,482	40,023	14,186
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	4,587	1,446	1,340
RENEWAL AND REPLACEMENT			
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS:			
CURRENT FUND - UNRESTRICTED	12,969		
UNEXPENDED PLANT FUND	727	1,935	
RENEWAL AND REPLACEMENT	40,644		
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	<u>293,409</u>	<u>43,404</u>	<u>15,526</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>855,532</u>	<u>359,708</u>	<u>136,902</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
TRANSFERS FROM PRIMARY GOVERNMENT	333,463	143,602	55,677
TRANSFERS TO PRIMARY GOVERNMENT	(4,228)		(10)
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	7,231	4,410	(191)
INDIRECT COST RECOVERED		3,772	
REFUNDS TO GRANTORS			(95)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		(828)	
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (3,830)</u>	<u>\$ 9,193</u>	<u>\$ 170</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1996
\$ 28,929	\$ 18,769	\$ 20,606	\$ 30,273	\$ 6,125	\$ 319,913
14,216	21,702	7,383	4,651	10,003	136,265
2,951	3,463	2,307	2,415	379	30,888
2,019	1,782	537	619		28,822
		561			4,512
4,981	885	1,874	887		44,840
13,134	8,199	12,160	5,875	3,757	352,634
3,865	2,123	3,428	1,987	991	140,834
<u>70,095</u>	<u>56,923</u>	<u>48,856</u>	<u>46,707</u>	<u>21,255</u>	<u>1,058,708</u>
44,013	25,364	29,196	25,699	9,546	517,654
2,327	313	1,183	284	2,773	79,720
8,437	3,945	3,758	2,051	3,094	140,443
4,295	3,605	4,269	4,540	1,943	92,894
4,318	2,148	2,326	3,285		46,752
9,315	6,138	6,545	5,115	2,955	70,650
10,827	6,773	6,666	9,790	4,830	110,810
11,823	23,577	9,922	7,426	3,742	142,629
9,586	4,798	8,458	6,071	3,425	101,570
12					463
<u>104,953</u>	<u>76,661</u>	<u>72,323</u>	<u>64,261</u>	<u>32,308</u>	<u>1,303,585</u>
4,262	4,812	3,706	4,967	3,141	66,824
27	1	2	32		275
			120		1,374
					120
(1,260)		(1,390)		(146)	(25,804)
		141			(3,256)
1,203	1,431	2,121	1,844	601	20
					141
				1,125	31,829
<u>109,185</u>	<u>82,905</u>	<u>76,903</u>	<u>71,224</u>	<u>37,029</u>	<u>716</u>
					1,225
10,395	6,834	11,726	4,262	3,187	1,377,049
2,026	2,256	595	332		325,095
	64		17		12,582
			1,117		81
		77			1,117
		168			13,046
<u>12,421</u>	<u>9,154</u>	<u>12,566</u>	<u>5,728</u>	<u>3,187</u>	<u>2,830</u>
<u>121,606</u>	<u>92,059</u>	<u>89,469</u>	<u>76,952</u>	<u>40,216</u>	<u>40,644</u>
53,003	34,100	39,946	30,554	19,133	395,395
	(20)	(1)	(1)		325,095
79		737	(43)	(107)	12,582
764		244	203	281	81
(83)		(14)	(10)		1,117
	(70)	597			13,046
<u>\$ 2,252</u>	<u>\$ (1,126)</u>	<u>\$ 896</u>	<u>\$ 458</u>	<u>\$ 346</u>	<u>\$ 8,359</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES AND OTHER ADDITIONS:			
EDUCATIONAL AND GENERAL REVENUES	\$ 189,850	\$ 148,466	\$ 40,364
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	268,380	25,732	15,675
INDIRECT COST RECOVERED		3,772	
RESTRICTED GRANTS AND CONTRACTS	156,149	38,943	26,471
RESTRICTED GIFTS AND GRANTS	38,260	6,863	3,036
ENDOWMENT INCOME	4,539		
INTEREST AND OTHER INVESTMENT INCOME	13,324	6,252	1,707
EXPENDED FOR PLANT FACILITIES	55,178	21,952	6,943
RETIREMENT OF INDEBTEDNESS	20,053	7,759	5,204
OTHER REVENUES AND ADDITIONS	67,463	22,249	733
TOTAL REVENUES AND OTHER ADDITIONS	<u>813,196</u>	<u>281,988</u>	<u>100,133</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
EDUCATIONAL AND GENERAL EXPENDITURES	546,143	291,361	114,835
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	234,482	40,023	14,186
REFUNDS TO GRANTORS	14		103
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	131		83
LOAN CANCELLATIONS	128	309	167
PAYMENT TO BENEFICIARIES			558
EXPENDED FOR PLANT FACILITIES	40,085	16,259	2,210
RETIREMENT OF INDEBTEDNESS	20,895	7,759	4,470
INTEREST PAYMENTS	19,406	9,121	4,374
DISPOSAL OF PLANT FACILITIES	27,140	10,718	2,404
NOTES ISSUED			
OTHER EXPENDITURES	142,608	1,258	2,755
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>1,031,032</u>	<u>376,808</u>	<u>146,145</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
NON-MANDATORY TRANSFERS FOR:			
TRANSFERS FROM PRIMARY GOVERNMENT	358,048	158,066	56,469
TRANSFERS TO PRIMARY GOVERNMENT	(4,281)	(16)	(10)
TOTAL TRANSFERS AMONG FUNDS	<u>353,767</u>	<u>158,050</u>	<u>56,459</u>
INCREASE (DECREASE) IN FUND BALANCE	135,931	63,230	10,447
FUND BALANCES AT JULY 1, AS RESTATED	1,367,487	458,410	220,850
FUND BALANCES AT JUNE 30	<u>\$ 1,503,418</u>	<u>\$ 521,640</u>	<u>\$ 231,297</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1996
\$ 37,765	\$ 21,777	\$ 24,881	\$ 33,370	\$ 17,672	\$ 514,145
13,134	8,199	12,160	5,870	3,757	352,907
764		244			4,780
20,363	26,951	10,432	7,567	539	287,415
2,454		1,473	1,087		53,173
					4,539
1,714	802	2,304	580	569	27,252
10,054	7,551	10,777	4,620	1,613	118,688
3,145	8,562	2,995	3,429	1,731	52,878
943	6,818	10,159	114		108,479
<u>90,336</u>	<u>80,660</u>	<u>75,425</u>	<u>56,637</u>	<u>25,881</u>	<u>1,524,256</u>
104,941	76,661	72,323	64,261	32,308	1,302,833
10,395	6,834	11,726	4,262	3,187	325,095
		14	16		147
166	10	57	69	27	543
156	86	60	43	21	970
					558
5,821	6,348	4,897	2,266	477	78,363
3,222	8,562	2,995	3,278	1,731	52,912
2,982	2,908	1,585	4,742	1,446	46,564
5,929	1	2,726	506	122	49,546
	5,463		445		5,908
1,424	335	2,705	169	20	151,274
<u>135,036</u>	<u>107,208</u>	<u>99,088</u>	<u>80,057</u>	<u>39,339</u>	<u>2,014,713</u>
56,679	34,100	41,096	31,577	19,788	755,823
(33)	(20)	(35)	(4)	(65)	(4,464)
<u>56,646</u>	<u>34,080</u>	<u>41,061</u>	<u>31,573</u>	<u>19,723</u>	<u>751,359</u>
11,946	7,532	17,398	8,153	6,265	260,902
168,471	119,040	146,124	92,559	104,137	2,677,078
<u>\$ 180,417</u>	<u>\$ 126,572</u>	<u>\$ 163,522</u>	<u>\$ 100,712</u>	<u>\$ 110,402</u>	<u>\$ 2,937,980</u>

STATISTICAL SECTION

The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.

**COMMONWEALTH OF KENTUCKY
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

SOURCE	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Taxes:										
Sales & Gross Receipts	\$ 1,506,522	\$ 1,608,557	\$ 1,750,337	\$ 1,793,125	\$ 1,931,992	\$ 2,259,989	\$ 2,442,419	\$ 2,539,066	\$ 2,739,653	\$ 2,873,176
Individual Income	909,434	1,003,287	1,149,519	1,228,462	1,642,691	1,629,678	1,676,263	1,870,096	1,964,960	2,080,418
Corporation Income	267,299	255,704	310,793	279,494	319,338	271,022	254,797	269,048	340,913	289,508
Property	245,525	270,087	281,886	303,347	323,378	339,590	353,711	370,200	386,389	409,175
License & Privilege	88,956	85,430	94,096	101,174	110,046	111,315	117,471	114,052	137,578	130,778
Severance	186,008	186,667	182,966	196,945	188,924	185,020	180,704	181,340	177,826	185,019
Inheritance & Estate	49,245	48,785	53,752	67,013	68,597	77,241	71,040	76,173	79,531	82,673
Miscellaneous	71,563	51,618	104,839	111,662	118,327	116,692	125,636	120,036	117,077	104,819
Total Taxes	<u>3,324,552</u>	<u>3,510,135</u>	<u>3,928,188</u>	<u>4,081,222</u>	<u>4,703,293</u>	<u>4,990,547</u>	<u>5,222,041</u>	<u>5,540,011</u>	<u>5,943,927</u>	<u>6,155,566</u>
Intergovernmental Revenue	1,416,882	1,613,119	1,624,227	1,814,810	2,158,400	2,520,376	2,687,598	2,657,925	3,307,139	3,394,888
Charges for Services	203,147	205,426	149,195	172,827	167,144	140,798	147,617	192,659	222,309	273,820
Licenses, Fees & Permits	137,333	91,739	114,074	119,750	126,840	138,877	161,510	134,161	160,975	163,331
Fines & Forfeitures	37,090	35,164	33,792	40,530	41,106	39,229	39,972	38,563	40,720	40,485
Interest & Investments	107,512	111,309	93,473	115,831	108,962	112,519	107,210	90,931	112,124	145,544
Other Income	114,177	82,380	76,944	90,050	136,338	80,241	123,951	93,683	133,506	133,064
Total Non-Tax Income	<u>2,016,141</u>	<u>2,139,137</u>	<u>2,091,705</u>	<u>2,353,798</u>	<u>2,738,790</u>	<u>3,032,040</u>	<u>3,267,858</u>	<u>3,207,922</u>	<u>3,976,773</u>	<u>4,151,132</u>
Total Revenues	<u>\$ 5,340,693</u>	<u>\$ 5,649,272</u>	<u>\$ 6,019,893</u>	<u>\$ 6,435,020</u>	<u>\$ 7,442,083</u>	<u>\$ 8,022,587</u>	<u>\$ 8,489,899</u>	<u>\$ 8,747,933</u>	<u>\$ 9,920,700</u>	<u>\$ 10,306,698</u>

**COMMONWEALTH OF KENTUCKY
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

FUNCTIONS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
General Government	\$ 426,256	\$ 285,298	\$ 374,234	\$ 338,573	\$ 300,969	\$ 236,096	\$ 444,901	\$ 452,593	\$ 418,256	\$ 494,599
Legislative & Judicial	81,726	93,075	93,813	103,564	111,920	119,345	120,036	128,575	132,421	147,563
Commerce	28,602	30,051	42,043	48,225	40,485	41,512	37,279	37,656	42,430	42,704
Education & Humanities	1,479,674	1,631,588	1,669,905	1,935,653	2,302,807	2,511,764	2,578,179	2,663,797	2,835,220	2,962,449
Energy	11,043	11,097	1,974	0	0	0	0	0	0	0
Human Resources	1,396,916	1,640,146	1,732,736	2,010,819	2,495,859	2,916,988	3,129,059	3,077,162	3,818,430	3,819,907
Justice	75,214	78,228	89,452	79,958	98,068	101,291	229,972	232,221	255,424	282,999
Natural Resources and										
Environmental Protection	52,313	54,373	59,217	64,349	98,517	56,919	83,481	105,920	110,509	96,094
Corrections	90,925	100,953	111,557	128,093	150,637	158,260	0	0	0	0
Public Protection and										
Regulation	57,024	64,414	64,445	68,341	72,138	73,888	83,322	79,816	86,411	94,124
Transportation	770,806	929,712	727,519	734,592	813,903	976,826	874,160	843,456	980,083	1,061,589
Capital Outlay	106,231	116,415	75,912	89,042	125,600	201,665	149,910	79,707	82,040	79,245
Debt Service	263,466	221,712	240,029	275,743	334,487	413,450	284,323	357,122	416,756	392,130
Total Expenditures	<u>\$ 4,840,196</u>	<u>\$ 5,257,062</u>	<u>\$ 5,282,836</u>	<u>\$ 5,876,952</u>	<u>\$ 6,945,390</u>	<u>\$ 7,808,004</u>	<u>\$ 8,014,622</u>	<u>\$ 8,058,025</u>	<u>\$ 9,177,980</u>	<u>\$ 9,473,403</u>

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report

NOTE: In 1990 the Energy Function was distributed among other functions. In 1993 the Corrections Function was combined into the Justice Function.

COMMONWEALTH OF KENTUCKY

DESCRIPTION OF TAX SOURCES - ALL GOVERNMENTAL FUND TYPES

JUNE 30, 1996

SALES AND USE TAX - On July 1, 1960, Kentucky became the thirty-fourth state to enact a sales and use tax. Although the tax was broad based at the time of its inception, the sales and use tax has been significantly eroded over the years with the passage of numerous exemptions. This has been partially offset with rate increases in 1968 (3% to 5%) and 1990 (5% to 6%), and expansion of the tax base in 1985 to cover leases and rentals of tangible personal property. During fiscal 1996, the sales and use tax continued to be the second largest generator of General Fund revenue for the Commonwealth.

COAL SEVERANCE TAX - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of 4% on the gross value of coal mined in Kentucky or thirty cents per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or fifty cents per ton, whichever is greater, in 1976. In 1978, the statute was revised to include the taxation of coal processing and add a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties are to receive a minimum of 10% of coal severance and processing taxes for FY 1986-87 and 12% for subsequent years. The 1992 General Assembly increased this amount to 15% for FY 1992-93, 18% for 93-94, 25% for 94-95, and 50% for 95-96. (NOTE: HB 2 enacted by the 1994 Special Session of the General Assembly revised the allocations to 21% for 94-95 and 25% for 95-96.)

MOTOR FUELS TAX- In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1962, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation, and on July 1, 1972, the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to 9% of the weighted average wholesale tank wagon price for sale in Kentucky. In no case shall the average wholesale price be deemed to be less than one dollar and eleven cents per gallon, nor more than one dollar and fifty cents per gallon. On July 1, 1986, the tax on gasoline and LP gas was increased five cents per gallon and the tax on special fuels was increased two cents per gallon.

MOTOR VEHICLE USAGE TAX - Motor vehicles were originally taxed under the 3 percent gross receipts tax that was repealed in 1936. After repeal, a special 3 percent tax on motor vehicles was enacted. This tax is based on the "retail price" of the motor vehicles as defined by statute. The tax was increased to 5 percent in April 1968, and to 6 percent on July 1, 1990. The tax is paid to the county clerk when a vehicle is first registered in the owner's name. The proceeds derived from the tax are deposited to the Road Fund for use in the construction and maintenance of Kentucky's roads and bridges.

MOTOR VEHICLE REGISTRATION FEE - The 1936 General Assembly fixed a flat \$4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current \$11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation and the apportioned registration of commercial vehicles began. Current rates for heavier trucks range from \$24 (6,001-10,000 lbs.) to \$840 (73,281-82,000 lbs.) with extended weight tags required for still heavier vehicles.

INDIVIDUAL INCOME TAX - The individual income tax became effective for income earned during calendar year 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first \$3,000 of income to 5% on all over \$5,000. In 1950, a rate of 6% was imposed on income in excess of \$8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. Currently, net income is computed using the Internal Revenue Code in effect on December 31, 1993, for tax years beginning after that date, modified for Kentucky differences between federal and Kentucky tax laws. Primary differences include the tax treatment of pension income and interest on federal obligations. The rates applied to net income are: 2% of the first \$3,000; 3% of the next \$1,000; 4% of the next \$1,000; 5% of the next \$3,000; and 6% of the excess over \$8,000. The present tax credit of \$20 went into effect in 1961 and the current standard deduction of \$650 was adopted in 1976. A low income tax credit of 5% to 100% for single persons or married couples with adjusted gross income of \$25,000 or less was enacted in 1990. A child and dependent care credit equal to 20% of the Federal credit is also allowed.

CORPORATION INCOME TAX - The corporate income tax was enacted to first apply to calendar year 1936 income. The rate was 4% of net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to

COMMONWEALTH OF KENTUCKY

5% of the first \$25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first \$25,000 and 5.8% on the excess. Tax rates beginning on January 1, 1980, are: first \$25,000 at 3%; next \$25,000 at 4%; next \$50,000 at 5%; and the excess over \$100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KETA) into law. KETA mandated a State depreciation system separate from the federal system. This new Kentucky system allowed corporate taxpayers to recover the entire cost of property through depreciations compared to recovery of 71% of cost using the Accelerated Cost Recovery System (ACRS) as adjusted for under prior Kentucky Law. KETA also added a new graduated rate of 7.25% of taxable income in excess of \$250,000 of taxable income effective August 1, 1985.

The 1990 General Assembly replaced the Kentucky depreciation system with the depreciation and expense deductions allowed by Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 1989, effective for property placed in service after December 31, 1989. The tax rates beginning on January 1, 1990 are: first \$25,000 at 4%; next \$25,000 at 5%; next \$50,000 at 6%; next \$150,000 at 7%; and all over \$250,000 at 8.25%. Effective for tax years beginning after December 31, 1993, net income is computed using the Internal Revenue Code in effect on December 31, 1993.

The 1994 General Assembly amended KRS 141.0101 to make Kentucky depreciation rules consistent with federal depreciation rules for all assets, regardless of when placed in service, effective for taxable years, beginning after December 31, 1993. To account for this change in depreciation rules, each taxpayer must determine the amount of any difference in Kentucky adjusted basis and federal adjusted basis (transition amount) as of the 1st day of the 1st taxable year beginning after December 31, 1993. The transition amount must be added to or subtracted from gross income in the 1st taxable year beginning after December 31, 1993, if the amount does not exceed \$100,000 or in equal amounts over 4 years if the amount exceeds \$100,000 or the taxpayer so elects.

The 1996 General Assembly amended KRS 141.120 to prohibit affiliated corporations from filing combined Kentucky income tax returns using the unitary business concept and allows affiliated corporations to elect to file consolidated Kentucky income tax returns, with such election being binding for 96 consecutive calendar months.

Effective for tax years beginning after December 31, 1995, net income is computed using the Internal Revenue code in effect on December 31, 1995.

PROPERTY TAX - The most marked changes in taxation during the past 42 years have occurred in the property tax. Prior to 1934, the property tax was the State's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from 30 cents to 5 cents per \$100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five cents to 1.5 cents and on tangible property from 50 cents to 15 cents. House Bill 4, passed in the 1976 regular session of the General Assembly, established the power equalization program for school funding and raised the State tax rate on real property from 1.5 cents to 31.5 cents per \$100 of assessed value and the tax rate on tangible personal property from 15 cents to 45 cents per \$100 of assessed value. This increase in the State property tax rate was accompanied by a 30 cents per \$100 of assessed value decrease in local school tax rates. House Bill 44, enacted by the 1979 extraordinary legislative session, established a new rate setting mechanism, which limited the increase in aggregate revenues for all taxing districts in general, and specifically limited the State rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the State tax rate on real property has dropped 48.3% from 31.5 cents per \$100 in 1978 to 16.3 cents per \$100 in 1996.

The 1996 General Assembly repealed the bank shares property tax and enacted a bank franchise tax for state tax purposes and a local deposits franchise tax for local tax purposes. A discussion of the bank franchise tax follows.

INHERITANCE AND ESTATE TAX - The inheritance tax began in Kentucky in 1906 and provided that all property of persons residing in the State and property within the State owned by non-residents shall be subject to a tax of \$5 on each \$100 of its fair cash value at the times of their deaths. The original exemption was \$500. In 1936, 1948, 1976, 1978, and 1985, various changes in the then existing legacy brackets and exemptions were legislated into law. Effective for dates of death on or after August 1, 1985, the surviving spouse's exemption for inheritance tax increased from the previous \$50,000 to the total inheritable interest, and the tax rates for others range from 2% to 16% depending on the heir's classification and distributive share. An additional exemption of personal property (up to \$7,500) is available upon application to the district court by the surviving children (when there is no surviving spouse), regardless of whether the decedent died testate or intestate.

House Bill 2, enacted during the 1995 Second Extraordinary Session of the General Assembly, phases out the inheritance tax over a four year period and is applicable to individuals dying after June 30, 1995 but is limited to Class A beneficiaries which includes parents, children (natural, adopted and step), grandchildren, brothers, sisters,

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half-brothers and half-sisters. Class A was expanded under the bill to include brothers, sisters, half-brothers and half-sisters. These beneficiaries were originally in Class B. Other Class B and C beneficiaries were not affected by the bill. The inheritance tax for Class A beneficiaries will be completely phased out for deaths occurring after June 30, 1998. During the phase-out period, a Class A beneficiary is entitled to an exemption which is the greater of the exemption permitted under pre-July 1, 1995 law or a percentage of the inheritable interest. The following percentages apply: 25% for deaths from July 1, 1995 to July 1, 1996; 50% for deaths from July 1, 1996 to July 1, 1997; 75% for deaths from July 1, 1997 to July 1, 1998; and 100% for deaths on or after July 1, 1998.

The Kentucky estate tax is an amount by which the state death tax credit allowable under the federal estate tax law exceeds the total inheritance tax paid.

PROVIDER TAX - House Bill 250, enacted during the 1994 Regular Session of the General Assembly, continued the Kentucky Health Care Provider Tax. The bill, which was effective July 15, 1994, imposed a tax on hospitals, other providers of specified health care items or services, and persons providing outpatient prescription drugs. The purpose of the Health Care Provider Tax is to help fund Kentucky's \$2 billion Medicaid program. The Medicaid program is a joint federal-state medical assistance program that is operated and administered by the state. Approximately 25% of the funding for the program is provided by the state with the remaining 75% being funded by the federal government.

(Note: HB 397 enacted by the 1996 General Assembly created and amended various sections of KRS Chapter 142 to phase out the health care provider tax on physician services. The current 2% rate will be reduced to 1.5% on August 1, 1996, through June 30, 1997; 1% from July 1, 1997, through June 30, 1998; and 0.5% from July 1, 1998, through June 30, 1999. The tax on physician services will be entirely removed as of July 1, 1999.)

BANKFRANCHISE TAX - House Bill 416 as enacted by the 1996 General Assembly created the bank franchise tax. The tax is imposed on any financial institution which obtains or solicits business from 20 or more persons within the Commonwealth or has receipts attributable to sources in the Commonwealth which equal or exceed \$100,000. The bank franchise tax is based on a five-year average of net capital accounts reflected on the quarterly reports of condition filed with the applicable federal regulatory institution. The minimum tax is \$300 per year. Because HB 416 is effective for the calendar year 1996, the first tax returns and payments will be due on March 15, 1997.

**COMMONWEALTH OF KENTUCKY
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 FOR CALENDAR YEARS 1986 - 1995**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual
	Assessed	Estimated	Assessed	Estimated	Assessed	Estimated	
	Value	Value	Value	Value	Value	Value	Value
1986	\$ 54,424,249	\$ 57,591,798	\$ 87,946,889	\$ 87,946,889	\$ 142,371,138	\$ 145,538,687	97.8%
1987	57,406,207	61,265,936	98,039,467	98,039,467	155,445,674	159,305,403	97.6%
1988	61,308,019	65,320,574	101,100,506	101,100,506	162,408,525	166,421,080	97.6%
1989	63,730,690	72,466,699	117,635,547	117,635,547	181,366,237	190,102,246	95.4%
1990	69,798,888	80,228,607	124,398,999	124,398,999	194,197,887	204,627,606	94.9%
1991	74,626,422	84,802,752	132,552,592	132,552,592	207,179,014	217,355,344	95.3%
1992	78,150,012	87,809,002	140,219,154	140,219,154	218,369,166	228,028,156	95.8%
1993	82,268,682	89,422,480	141,750,516	141,750,516	224,019,198	231,172,996	96.9%
1994	89,570,464	95,287,728	153,225,083	153,225,083	242,795,547	248,512,811	97.7%
1995	94,517,540	100,550,574	161,911,973	161,911,973	256,429,513	262,462,547	97.7%

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

**COMMONWEALTH OF KENTUCKY
 PROPERTY TAX LEVIES AND COLLECTIONS
 FOR FISCAL YEARS 1986 - 1995**

(Expressed in Thousands Except for Percentages)

For the Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1986	\$ 264,761	\$ 244,974	92.5%	\$ 9,544	\$ 254,518	96.1%
1887	264,271	239,541	90.6%	11,768	251,309	95.1%
1988	290,148	258,673	89.2%	11,239	269,912	93.0%
1989	292,001	270,216	92.5%	11,673	281,889	96.5%
1990	317,574	295,729	93.1%	7,617	303,346	95.5%
1991	342,116	313,503	91.6%	9,871	323,374	94.5%
1992	355,821	329,783	92.7%	8,765	338,548	95.1%
1993	372,168	345,089	92.7%	9,669	354,758	95.3%
1994	387,350	357,996	92.4%	12,204	370,200	95.6%
1995	412,789	377,710	91.5%	17,615	395,325	95.8%

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) By the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year.

**COMMONWEALTH OF KENTUCKY
RATIO OF GENERAL LONG-TERM BONDED DEBT
TO ASSESSED VALUE AND DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio and Per Capita Debt)

For the Year Ended June 30	Estimated Population	Assessed Value	General Long-Term Bonded Debt	General Bonded Debt	
				Ratio to Assessed Value	Per Capita
1987	3,683	\$ 155,445,674	\$ 2,068,313	1.3%	562
1988	3,680	162,408,525	2,205,049	1.4%	599
1989	3,677	181,366,237	2,243,965	1.2%	610
1990	3,687	194,197,887	2,292,249	1.2%	622
1991	3,715	207,179,014	2,790,549	1.3%	751
1992	3,752	218,369,166	2,819,240	1.3%	751
1993	3,793	224,019,198	3,144,038	1.4%	829
1994	3,828	242,795,547	3,098,553	1.3%	809
1995	3,860	256,429,513	3,133,332	1.2%	812
1996	3,906	266,686,694	3,134,342	1.2%	802

SOURCE: University of Louisville Center for Urban and Economic Research; Kentucky Revenue Cabinet; Office for Financial Management and Economic Analysis bond reporting systems.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity.

**COMMONWEALTH OF KENTUCKY
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO
TOTAL EXPENDITURES FOR GENERAL GOVERNMENTAL FUNCTIONS
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended June 30	General	Total	Ratio
	Long - Term Debt Service	Expenditures	
1987	\$ 210,833	\$ 4,840,196	4.4%
1988	217,848	5,257,062	4.1%
1989	230,626	5,282,836	4.4%
1990	260,347	5,876,952	4.4%
1991	334,487	6,945,390	4.8%
1992	413,450	7,808,004	5.3%
1993	284,323	8,014,622	3.5%
1994	357,122	8,058,025	4.4%
1995	416,756	9,177,980	4.5%
1996	392,130	9,473,403	4.1%

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report.

**COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE FUNDS REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Coverage)

For the Year Ended June 30	Unrestricted Current Funds		Unrestricted Current Funds		Net Revenue Available for Debt Service		Debt Service		Coverage
	Beginning Balance	Revenues and Additions	Expenditures and Transfers	Requirements	Requirements				
1987	\$ 105,421	\$ 887,338	\$ 873,461	\$ 119,298	\$ 41,801			2.85	
1988	121,257	970,955	954,275	137,937	50,693			2.72	
1989	137,898	1,047,740	1,062,988	122,650	57,345			2.14	
1990	122,650	1,125,850	1,115,634	132,866	57,802			2.30	
1991	132,486	1,268,409	1,262,373	138,522	64,195			2.16	
1992	139,539	1,377,283	1,372,630	144,192	73,763			1.95	
1993	144,239	1,378,410	1,365,768	156,881	108,448			1.45	
1994	156,881	1,446,681	1,405,432	198,130	81,304			2.44	
1995	198,435	1,531,477	1,475,510	254,402	81,113			3.14	
1996	254,402	1,584,733	1,587,982	251,153	84,791			2.96	

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report; state universities' audited financial statements.

**COMMONWEALTH OF KENTUCKY
DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 1986-1995**

<u>For the Year Ended December 31</u>	<u>Estimated Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
1986	3,687,805	\$ 11,732	9.3%
1987	3,683,330	12,439	8.8%
1988	3,680,002	13,171	7.9%
1989	3,677,316	14,197	6.2%
1990	3,686,891 *	15,088	5.9%
1991	3,715,080	15,742	7.5%
1992	3,752,385	16,732	6.9%
1993	3,793,389	17,167	6.2%
1994	3,827,891	17,931	5.4%
1995	3,860,219	18,849	5.4%

SOURCE: U.S. Department of Commerce, Bureau of Census; U.S. Department of Commerce, Bureau of Economic Analysis; Kentucky Cabinet for Human Resources

NOTE: * Actual population per 1990 census count

**COMMONWEALTH OF KENTUCKY
CONSTRUCTION AND BANK DEPOSITS
FOR CALENDAR YEARS 1986-1995**

(Expressed in Thousands, Except Number of Units)

<u>For the Year Ended December 31</u>	<u>Non-Residential Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits</u>
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
1986	8,611	\$ 540,620	13,503	\$ 641,647	\$ 26,518,536
1987	8,684	630,533	13,223	740,010	27,990,271
1988	8,318	682,821	13,363	786,711	29,908,656
1989	8,254	626,716	12,656	779,383	31,741,423
1990	7,823	655,650	11,810	771,010	33,487,743
1991	7,908	582,450	11,961	784,108	34,076,826
1992	8,437	677,181	14,689	1,023,682	34,882,000
1993	8,952	797,365	15,907	1,172,971	35,112,000
1994	10,024	801,728	18,554	1,370,011	37,352,000
1995	10,025	1,247,662	18,027	1,266,108	37,893,000

SOURCE: U.S. Department of Commerce, Bureau of Census; Federal Deposit Insurance Corporation

**COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 1986-1995**

Source	1986		1987		1988		1989		1990	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 632,953	2.1%	\$ 735,990	2.3%	\$ 713,948	2.1%	\$ 1,076,812	2.9%	\$ 983,924	2.5%
Agriculture Services, Forestry, Fisheries and Others	164,373	0.5%	210,781	0.6%	229,291	0.7%	230,208	0.6%	253,690	0.7%
Mining	1,752,368	5.8%	1,780,039	5.5%	1,634,586	4.7%	1,528,233	4.1%	1,664,895	4.3%
Manufacturing	7,062,081	23.4%	7,512,647	23.0%	8,025,779	23.2%	8,479,432	23.0%	8,981,065	23.0%
Construction	1,791,888	5.9%	2,001,496	6.1%	2,064,897	6.0%	2,182,266	5.9%	2,204,497	5.6%
Wholesale and Retail Trade	4,850,477	16.1%	5,088,353	15.6%	5,341,108	15.5%	5,610,288	15.2%	5,864,296	15.0%
Finance, Insurance and Real Estate	1,182,013	3.9%	1,369,646	4.2%	1,440,129	4.2%	1,594,831	4.3%	1,698,462	4.4%
Transportation and Public Utilities	2,243,056	7.4%	2,420,132	7.4%	2,518,546	7.3%	2,646,599	7.2%	2,803,721	7.2%
Services	5,370,607	17.8%	6,000,787	18.4%	6,708,195	19.4%	7,365,353	20.0%	7,913,661	20.3%
Government and Government Enterprises	5,138,990	17.0%	5,504,935	16.9%	5,860,654	17.0%	6,174,672	16.7%	6,651,557	17.0%

Source	1991		1992		1993		1994		1995	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,018,597	2.5%	\$ 1,205,168	2.7%	\$ 1,056,670	2.3%	\$ 1,084,670	2.2%	\$ 814,244	1.6%
Agriculture Services, Forestry, Fisheries and Others	286,552	0.7%	298,933	0.7%	310,048	0.7%	335,598	0.7%	364,643	0.7%
Mining	1,517,486	3.8%	1,508,236	3.4%	1,442,912	3.1%	1,501,815	3.1%	1,425,567	2.8%
Manufacturing	8,936,301	22.1%	9,716,007	22.0%	10,215,095	22.2%	10,988,043	22.6%	11,652,087	22.7%
Construction	2,163,924	5.4%	2,424,438	5.5%	2,602,333	5.7%	2,668,020	5.5%	2,872,394	5.6%
Wholesale and Retail Trade	6,121,904	15.1%	6,561,320	14.9%	6,888,184	15.0%	7,365,236	15.2%	7,974,647	15.5%
Finance, Insurance and Real Estate	1,758,611	4.3%	1,994,147	4.5%	2,255,366	4.9%	2,287,176	4.7%	2,425,366	4.7%
Transportation and Public Utilities	2,977,776	7.4%	3,180,383	7.2%	3,321,207	7.2%	3,552,821	7.3%	3,780,671	7.4%
Services	8,444,935	20.9%	9,320,430	21.1%	9,882,244	21.5%	10,514,925	21.7%	11,452,240	22.3%
Government and Government Enterprises	7,213,820	17.8%	7,877,737	17.9%	7,991,280	17.4%	8,255,183	17.0%	8,641,526	16.8%

SOURCE: U.S. Bureau of Economic Analysis; Regional Economic Information System, September, 1996.

NOTE: Percentages may not add to 100% due to rounding.

**COMMONWEALTH OF KENTUCKY
LARGEST MANUFACTURERS**

(Ranked by Number of Employees - 800 or more)

1996

Company	Number of Plants	Number of Employees	Company	Number of Plants	Number of Employees
General Electric Company	7	13,020	American Standard, Incorporated	2	1,390
Ford Motor Company	2	8,100	Duro Bag Manufacturing Company	3	1,374
Fruit of the Loom, Incorporated	4	7,250	Louisville Bedding Company	2	1,340
Toyota Motor Corporation	1	6,300	Fisher Price	1	1,300
Johnson Controls, Incorporated	12	4,126	Ashland Oil, Incorporated	3	1,217
Lexmark International, Incorporated	1	3,800	Osram	4	1,198
Emerson Electric Company	10	3,662	Nine West Group Incorporated	4	1,184
Jones Plastic and Engineering Corporation	6	2,494	Corning Inc./Dow Chemical	3	1,180
Philip Morris Companies, Incorporated	1	2,282	Square D Company	1	1,175
R.R. Donnelly and Sons Company	2	2,185	N.S. Group, Incorporated	2	1,144
Eaton Corporation	3	2,039	Gannett Company, Incorporated	1	1,133
General Motors Corporation	3	2,000	COMALCO	1	1,100
Sumitomo Electric Ind./Sumitomo Wiring	3	2,000	Mid-South Industries, Incorporated	2	1,100
U.S. Naval Sea Systems Command	1	1,960	Phelps Dodge Corporation	2	1,100
Courtaulds PLC	2	1,865	Henry Vogt Machine Company	1	1,100
Alcan Aluminum Corporation	4	1,852	Seaboard Farms	1	1,075
Kentucky Apparel and Laundry Co. Inc.	10	1,803	American Brands, Incorporated	4	1,058
Conagra, Incorporated	6	1,801	Continental Metal Specialty Incorporated	4	1,046
Armco Incorporated	1	1,800	Rand McNally and Company	2	1,033
Martin Marietta Corporation	1	1,800	The Apparel Group	1	1,000
Flynn Enterprises Incorporated	4	1,760	Matsushita Electric Industries	1	1,000
Brown-Forman Corporation	4	1,735	E Systems	1	970
Oshkosh B'Gosh, Incorporated	4	1,675	Palm Beach Company	2	970
Publishers Printing Company	2	1,660	Dana Corporation	4	957
General Tire Incorporated	1	1,600	Hitachi Limited	1	900
American Greetings Corporation	2	1,580	Tri-County Manufacturing Assembly Inc.	1	900
Jockey International, Incorporated	4	1,580	United Catalysts, Incorporated	1	900
Reynolds Metals Company	5	1,463	Southwire Company	2	880
Carhart Incorporated	6	1,449	Willamette Industries	5	837
Leggett and Platt, Incorporated	6	1,392	Kendall Company	2	800
			Tecumseh Products Company	1	800

SOURCE: 1996 Kentucky Directory of Manufacturers, published by the Department of Economic Development

**COMMONWEALTH OF KENTUCKY
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST EIGHT YEARS**

(Expressed in Thousands)

	Fiscal and Policy Year Ended							
	1989	1990	1991	1992	1993	1994	1995	1996
Earned Premiums	\$ 57,750	\$ 92,522	\$ 111,010	\$ 136,636	\$ 155,334	\$ 133,365	\$ 139,525	\$ 114,962
Earned Investment Income	1,339	2,966	3,448	3,289	3,322	3,990	6,994	6,295
Total	<u>59,089</u>	<u>95,488</u>	<u>114,458</u>	<u>139,925</u>	<u>158,656</u>	<u>137,355</u>	<u>146,519</u>	<u>121,257</u>
Administrative Expense	3,035	4,663	5,193	5,591	5,887	5,833	5,579	3,361
Incurred Claims as Originally Estimated	46,870	78,871	95,210	117,570	128,942	143,133	144,479	131,132
Claims Paid (Cumulative) as of:								
End of Fiscal Year	31,920	62,673	76,254	96,279	110,178	123,980	116,761	111,943
One Year Later	46,607	77,552	95,956	113,587	126,314	144,858	141,537	
Two Years Later	48,051	78,565	95,956	116,819	126,476	145,097		
Three Years Later	48,051	78,565	95,976	116,819	126,476			
Four Years Later	48,051	78,565	95,976	116,819				
Five Years Later	48,051	78,565	95,976					
Six Years Later	48,051	78,565						
Seven Years Later	48,051							
Re-estimation of Incurred Claims								
End of Fiscal Year	46,870	78,871	94,646	117,570	129,639	143,133	144,479	131,132
One Year Later	46,870	78,915	96,132	113,739	129,086	145,044	143,371	
Two Years Later	48,051	78,565	95,976	116,819	127,486	145,062		
Three Years Later	48,051	78,565	95,976	116,819	127,486			
Four Years Later	48,051	78,565	95,975	116,819				
Five Years Later	48,051	78,565	95,975					
Six Years Later	48,051	78,565						
Seven Years Later	48,051							
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation as of the End of the Most Recent Fiscal Year	1,181	(306)	766	(751)	(1,456)	1,928	(1,109)	

SOURCE: Per Compilations Report

COMMONWEALTH OF KENTUCKY
SCHEDULE OF MISCELLANEOUS STATISTICS
JUNE 30, 1996

Adoption of Kentucky Constitution	1792
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	39,650
Miles of Highways, Roads and Streets	72,998
 Police Protection:	
Statewide Jurisdiction	
Number of Kentucky State Police Posts	16
Number of Sworn Officers	946
Number of Other Statewide Agencies	6
Number of Officers	640
County Jurisdictions	
Number of Sheriffs	120
Number of Deputies	1,104
Number of County Departments	11
Number of County Officers	609
Local Jurisdictions	
Number of Departments	237
Number of Sworn Officers	3,481
College and Universities	
Number of Departments	11
Number of Sworn Officers	180
 Higher Education:	
State Supported Universities and Community Colleges	
Number of Campuses	22
Number of Full-Time Instructional Faculty	5,206
Number of Students, Fall 1995	150,499
Private Colleges and Universities	
Number of Campuses	22
Number of Full-Time Instructional Faculty	1,209
Number of Students, Fall 1995	24,756
 State Supported Recreation:	
Number of Resort Parks	15
Number of Recreation Parks	24
Number of Historic Sites	10
Area of State Parks (acres)	44,000
Number of 1995 Overnight Visitors	1,174,600
 Permanent Full-Time Executive Branch Employees	 33,855

SOURCES: Kentucky Revised Statutes
Kentucky Transportation Cabinet
Kentucky State Police
Kentucky Council on Higher Education
Kentucky Department of Parks
Kentucky Department of Personnel

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